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1987-88 Public Accounts Volume III

**TRUST FUNDS,
CROWN CORPORATIONS
AND AGENCIES**



**PROVINCE OF
BRITISH COLUMBIA
MINISTRY OF
FINANCE AND
CORPORATE RELATIONS**

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1987-88

**Public
Accounts
Volume III**

**TRUST FUNDS,
CROWN CORPORATIONS
AND AGENCIES**

**FOR THE FISCAL YEAR ENDED
MARCH 31, 1988**



**PROVINCE OF
BRITISH COLUMBIA
MINISTRY OF
FINANCE AND
CORPORATE RELATIONS**

HON. MEL COUVELIER
Minister of Finance and Corporate Relations

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FINANCIAL STATEMENTS OF CROWN CORPORATIONS AND OTHER GOVERNMENT AGENCIES

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**SUMMARY OF FINANCIAL STATEMENTS OF CROWN CORPORATIONS,
OTHER GOVERNMENT AGENCIES AND PUBLIC BODIES**
(Unaudited)

(Thousands of Dollars)

	BALANCE SHEET			OPERATING STATEMENT		
	Assets	Liabilities	Equity	Income	Expenditure	Net Earnings (Losses)
Provincial Corporations and Agencies						
British Columbia Educational Institutions Capital Financing Authority	380,230	380,230	—	57,949	57,949	—
British Columbia Food Exhibitions Ltd.	925	555	370	—	—	—
British Columbia Health Care Research Foundation	2,765	2,665	100	4,767	4,969	(202)
British Columbia Heritage Trust	3,395	31	3,364	2,065	1,736	329
British Columbia Housing Management Commission	8,892	5,577	3,315	59,392	58,858	534
B.C. Pavilion Corporation	165,322	6,543	158,779	34,408	34,408	—
British Columbia Petroleum Corporation						
— Petroleum Corporation Fund	102,382	8,969	93,413	5,937	110	5,827
— Natural Gas Price Adjustment Fund	87,016	37,963	49,053	400,076	391,805	8,271
British Columbia Regional Hospitals Districts Financing Authority	751,326	751,326	—	118,542	118,542	—
British Columbia School Districts Capital Financing Authority	873,820	873,820	—	155,719	155,719	—
Creston Valley Wildlife Management Authority Trust Fund	336	8	328	321	269	52
Discovery Foundation	19,040	8,126	10,914	5,558	7,327	(1,769)
Expo 86 Corporation	—	—	—	—	18,616	(18,616)
Health Facilities Association of British Columbia	62,535	62,535	—	23,485	24,093	(608)
Knowledge Network of the West Communications Authority	2,312	629	1,683	6,438	6,914	(476)
Legal Services Society	5,502	4,068	1,434	23,190	22,567	623
Medical Services Commission of British Columbia	174,073	174,073	—	1,026,154	1,026,154	—
Provincial Capital Commission	2,029	179	1,850	2,232	2,609	(377)
Provincial Rental Housing Corporation	71,809	71,107	702	8,600	7,266	1,334
Science Council of British Columbia and Secretariat on Science, Research and Development	3,272	111	3,161	4,928	4,692	236
Subtotals	2,716,981	2,388,515	328,466	1,939,761	1,944,603	(4,842)
Crown Service Corporations:						
British Columbia Buildings Corporation	592,000	487,853	104,147	250,104	227,139	22,965
British Columbia Systems Corporation	61,646	54,838	6,808	43,354	39,123	4,231
Subtotals	653,646	542,691	110,955	293,458	266,262	27,196
Transportation Companies and Commercial Enterprises						
British Columbia Enterprise Corporation	562,244	254,967	307,277	57,787	55,339	2,448
British Columbia Ferry Corporation	365,230	158,332	206,898	231,081	229,519	1,562
British Columbia Hydro and Power Authority	9,561,000	8,966,000	595,000	2,110,000	2,055,000	55,000
British Columbia Lottery Corporation	37,567	37,567	—	469,639	303,053	166,586
British Columbia Railway Company	1,310,870	414,460	896,410	322,731	268,476	54,255
British Columbia Steamship Company (1975) Ltd.	17,337	8,088	9,249	12,793	11,603	1,190
British Columbia Transit	1,429,945	1,218,006	211,939	354,682	354,390	292
Housing Corporation of British Columbia	4,327	11	4,316	436	31	405
Pacific Coach Lines Limited	88	1	87	697	4	693
Subtotals	13,288,608	11,057,432	2,231,176	3,559,846	3,277,415	282,431
Other:						
British Columbia Assessment Authority	5,985	2,974	3,011	36,835	34,949	1,886
British Columbia Housing and Employment Development Financing Authority	1,830	1,625	205	37	1,624	(1,587)
British Columbia Liquor Distribution Branch	77,600	77,600	—	1,063,852	640,556	423,296
Insurance Corporation of British Columbia	1,957,449	1,923,232	34,217	1,000,995	1,058,788	(57,793)
Workers' Compensation Board of British Columbia	2,785,118	2,523,574	261,544	572,154	592,766	(20,612)
Subtotals	4,827,982	4,529,005	298,977	2,673,873	2,328,683	345,190
TOTAL CROWN CORPORATIONS AND GOVERNMENT AGENCIES	21,487,217	18,517,643	2,969,574	8,466,938	7,816,963	649,975
Universities and Colleges						
British Columbia Institute of Technology	81,775	33,040	48,735	91,086	87,634	3,452
Simon Fraser University	225,552	61,328	164,224	142,225	139,662	2,563
University of British Columbia	745,964	201,964	544,000	420,499	419,161	1,338
University of Victoria	217,344	44,528	172,816	110,113	107,563	2,550
TOTAL UNIVERSITIES AND COLLEGES	1,270,635	340,860	929,775	763,923	754,020	9,903
GRAND TOTALS	22,757,852	18,858,503	3,899,349	9,230,861	8,570,983	659,878

NOTE

The figures on this schedule are taken from the audited financial statements of the above listed entities which are contained in this volume. As they do not all have the same fiscal year end, totals do not all apply to the 1987/88 fiscal year. Totals are shown only to give the reader an idea of the size and scope of the organizations on a collective basis.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Chairman and Members of the Board of Directors of the
British Columbia Assessment Authority, and

To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have examined the balance sheet of the British Columbia Assessment Authority as at December 31, 1987 and the statements of revenue, expenditure and equity and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Assessment Authority Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.


George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
March 4, 1988

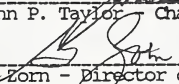
BRITISH COLUMBIA ASSESSMENT AUTHORITY
BALANCE SHEET
AS AT DECEMBER 31, 1987

	<u>1987</u>	<u>1986</u>
ASSETS		
Current Assets		
Cash and temporary investments	\$ 4,101,261	\$ 3,011,624
Accounts receivable	125,271	82,864
Prepaid expenses	411,119	395,783
	<u>4,637,651</u>	<u>3,490,271</u>
Fixed Assets [Note 3]		
Land, building, equipment and vehicles	4,551,837	3,973,456
Less accumulated depreciation	3,203,978	2,871,191
	<u>1,347,859</u>	<u>1,102,265</u>
	<u>\$ 5,985,510</u>	<u>\$ 4,592,536</u>
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loan payable [Note 4]	\$ -	\$ 303,000
Accounts payable and accrued liabilities	2,348,452	2,389,510
Current portion of long-term liabilities	101,863	128,536
	<u>2,450,315</u>	<u>2,821,046</u>
Long-Term Liabilities		
Obligations under capital leases [Note 5]	93,925	215,464
Employees' past benefits	531,805	559,325
	<u>625,730</u>	<u>774,789</u>
Less current portion	101,863	128,536
	<u>523,867</u>	<u>646,253</u>
	<u>2,974,182</u>	<u>3,467,299</u>
Equity		
Equity in fixed assets	1,347,859	1,102,265
Reserve for major industrial properties valuation project [Note 6]	690,000	-
Surplus from operations	973,469	22,972
	<u>3,011,328</u>	<u>1,125,237</u>
	<u>\$ 5,985,510</u>	<u>\$ 4,592,536</u>

The accompanying nine notes are an integral part of these financial statements.

Approved by the Authority


John P. Taylor - Chairman of the Board


G. Zorn - Director of Finance

BRITISH COLUMBIA ASSESSMENT AUTHORITY
STATEMENT OF REVENUE, EXPENDITURE AND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1987

	<u>1987</u>	<u>1986</u>
REVENUE		
Province of British Columbia grant [Note 7]	\$ 6,700,000	\$ 6,700,000
Tax levies [Note 8]	29,357,508	26,635,591
Interest	355,925	371,949
Other	421,632	432,257
	<u>36,835,065</u>	<u>34,139,797</u>
EXPENDITURE		
Salaries and benefits	25,734,475	25,742,761
Directors' fees and expenses	69,616	53,901
Accommodation	2,179,044	2,070,446
Travel	1,408,035	1,253,513
Office	1,496,925	1,666,680
Interest on capital leases	24,488	37,276
Other interest [Note 4]	281,083	290,737
Professional and special services	3,034,673	3,027,582
Depreciation	443,201	412,167
	<u>34,671,540</u>	<u>34,555,063</u>
EXCESS OF REVENUE OVER EXPENDITURE BEFORE EXTRAORDINARY ITEM [1986: EXPENDITURE OVER REVENUE]	2,163,525	[415,266]
EXTRAORDINARY ITEM [Note 6]	<u>277,434</u>	<u>-</u>
NET EXCESS OF REVENUE OVER EXPENDITURE [1986: NET EXPENDITURE OVER REVENUE]	1,886,091	[415,266]
EQUITY - BEGINNING OF YEAR	<u>1,125,237</u>	<u>1,540,503</u>
EQUITY - END OF YEAR	<u>\$ 3,011,328</u>	<u>\$ 1,125,237</u>

BRITISH COLUMBIA ASSESSMENT AUTHORITY
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1987

	<u>1987</u>	<u>1986</u>
OPERATING ACTIVITIES		
Net excess of revenue over expenditure for the year [1986: expenditure over revenue]	\$ 1,886,091	\$[415,266]
Depreciation	443,201	412,167
Gain on disposal of fixed assets	[25,002]	[20,796]
Net reduction in employees' past benefits	[27,520]	[80,665]
Decrease in net current liabilities, excluding cash resources	[98,801]	[178,144]
Funds provided by [used for] operations	<u>2,177,969</u>	<u>[282,704]</u>
INVESTING ACTIVITIES		
Acquisition of fixed assets	[690,912]	[425,575]
Proceeds of sale of fixed assets	<u>27,119</u>	<u>25,064</u>
Funds used for investing activities	<u>[663,793]</u>	<u>[400,511]</u>
FINANCING ACTIVITIES		
Repayments of obligations under capital leases net of increases	[121,539]	[107,477]
INCREASE [DECREASE] IN FUNDS	1,392,637	[790,692]
FUNDS AT BEGINNING OF YEAR	<u>2,708,624</u>	<u>3,499,316</u>
FUNDS AT END OF YEAR	<u>\$ 4,101,261</u>	<u>\$ 2,708,624</u>

Funds consist of cash and temporary investments net of bank indebtedness.

BRITISH COLUMBIA ASSESSMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987

1. THE AUTHORITY

The purpose of the Authority, as set out in the Assessment Authority Act, is to establish and maintain assessments that are uniform in the whole of the Province in accordance with the Assessment Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

(a) Fixed assets

Fixed assets are stated at cost. Depreciation is provided on a straight line basis using the following annual rates:

Building	5%
Furniture and equipment	20%
Motor vehicles	20%

Fixed assets include the cost of leased equipment in cases where the Authority will enjoy substantially all of the economic benefits to be derived from an asset during the lifetime of its lease. Cost approximates the fair market value of the leased equipment at the start of the lease. The balance of the unpaid lease obligations, excluding interest, is included in the Authority's liabilities.

(b) Employees' past benefits

At the time of the formation of the British Columbia Assessment Authority, the Authority negotiated an agreement with those designated employees whose previous working agreements contained clauses which called for payment of certain benefits upon death, retirement or termination of employment. The benefits under the agreement are recognized as a long-term liability, with an amount equal to payments due within the immediate twelve months following the statement date segregated and recognized as a current liability. Adjustments to the liability resulting from changes in salary rates are charged to the current year. Payments of benefits are treated as a reduction of the liability.

(c) Tax levy revenue

Recognition of tax levy revenue is consistent with the provisions of Section 16(3) of the Assessment Authority Act. Tax levy revenue of the Authority is recognized at the time taxes are collected by the municipality or the Minister of Finance and Corporate Relations, as applicable.

(d) Temporary investments

Temporary investments are reported at the lower of cost and market value.

BRITISH COLUMBIA ASSESSMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987

3. FIXED ASSETS

	1987			1986
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 178,000	\$ -	\$ 178,000	\$ 178,000
Building	223,249	136,355	86,894	98,057
Furniture & equipment	3,378,961	2,384,677	994,284	679,335
Motor vehicles	771,627	682,946	88,681	146,873
	<u>\$4,551,837</u>	<u>\$3,203,978</u>	<u>\$1,347,859</u>	<u>\$1,102,265</u>

Included in the above are assets acquired under capital leases, as follows:

	1987			1986
	Cost	Accumulated Depreciation	Net	Net
Equipment	\$ 341,934	\$ 242,171	\$ 99,763	\$ 214,449

4. FINANCING

Under Section 16(4) of the Assessment Authority Act, the Authority may, "pending receipt of the proceeds of the taxes, borrow an amount not exceeding the proceeds of the taxes...and the loan shall be repaid from the proceeds of the taxes."

The maximum borrowings by the Authority outstanding at any time in 1987 were \$12,930,000 (1986: \$12,339,500).

BRITISH COLUMBIA ASSESSMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987

5. OBLIGATIONS UNDER CAPITAL LEASES

The following is a schedule of future minimum lease payments under capital leases expiring in the years indicated which, after excluding interest, comprises obligations under capital leases.

1988	\$ 75,782
1989	26,029
1990	472
1991	236
	<hr/>
Total minimum lease payments	102,519
<u>Less:</u> amount representing	
interest at various rates	
from 10% to 21%	8,594
	<hr/>
Balance of the obligations	\$ <u>93,925</u>

6. EXTRAORDINARY ITEM - MAJOR INDUSTRIAL PROPERTIES VALUATION PROJECT

The Assessment Amendment Act, 1987 established a new class of properties consisting of industrial improvements, as defined in section 26.2 of the Assessment Act, and the land used in conjunction with the operation of those industrial improvements. Actual values of improvements within this class are determined in accordance with costing manuals and depreciation rates prescribed by the Lieutenant-Governor in Council. To conform to the legislation, the Authority, during 1987, began work on the preparation of costing manuals and on the reinventorying of the improvements falling within the definition of the new class. A reserve of \$690,000 has been allocated from surplus to complete the work by March 31, 1988 as specified in the legislation. Salaries and benefits associated with this project have been charged to the general salary and benefit accounts.

7. PROVINCE OF BRITISH COLUMBIA GRANT

The Authority, as indicated in Section 15(4) of the Assessment Authority Act, may receive an annual operating grant as appropriated by the Legislature. In 1987, this amount was \$6,700,000 [1986: \$6,700,000].

BRITISH COLUMBIA ASSESSMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987

8. TAX LEVIES

The Authority by by-law, and subject to the prior approval of the Lieutenant-Governor in Council, each year imposes and levies a tax upon all taxable property in the Province, except on the property of British Columbia Hydro and Power Authority. A copy of this by-law is forwarded to the Tax Collector of every municipality in the Province and to the Surveyor of Taxes so that the taxes so levied will be placed on the tax rolls. The proceeds of the taxes so levied and collected by the municipalities or the Minister of Finance and Corporate Relations constitute the Authority's tax levies revenue.

Under Section 15(4) of the Assessment Authority Act, the Authority's annual tax levies are to be "at rates sufficient to maintain the operating fund." The operating fund is defined under Section 15(3) as "the total amount required to meet the annual operating and capital expenses of the Authority." Section 15(4) further specifies that in determining the rate of taxation to be levied "the Authority shall take into account the amount of the annual operating grant."

Based on the above, there was levied on all taxable property in the Province, except on the property of British Columbia Hydro and Power Authority, a tax on each class of property at a rate as set out below:

Class of Property Prescribed under Section 26 of the Assessment Act	Rate of Tax Applied Against each \$1,000 of Net Taxable Value of Property	
	<u>1987</u>	<u>1986</u>
1 Residential	.1841	.1463
2 Utilities	.6444	.5119
3 Forestry	.7364	.5850
4 Machinery and Equipment	Nil	.4095
5 Industrial	.6259	.4973
6 Business and Other	.4510	.3583
7 Tree Farm	1.4728	1.1701
8 Recreational property/ non-profit organization	.1841	.1463
9 Farm	.1841	.1463

For 1987 and subsequent years, the Machinery and Equipment class has been eliminated.

9. COMMITMENTS

The Authority is committed to make the following payments on buildings and equipment under operating leases for periods of more than one year:

1988	\$1,719,035
1989	1,592,410
1990	856,625
1991	404,673
1992	239,566
1993	64,218
	<u>\$4,876,527</u>

BRITISH COLUMBIA BUILDINGS CORPORATION

Balance Sheet

		March 31	
	Note	1988	1987
ASSETS		\$000's	
Real estate investments			
Income-producing properties	2	519,660	518,921
Income-producing properties under construction	3	34,804	11,670
Land held for development	4	7,842	10,521
		<u>562,306</u>	<u>541,112</u>
Corporate properties and equipment	5	8,512	9,101
Unamortized debt discount and issue expenses		6,903	9,735
Other assets	6	14,279	7,510
		<u>592,000</u>	<u>567,458</u>
LIABILITIES			
Long-term debt	7	347,529	342,009
Notes payable to the Province of British Columbia	8	32,793	43,098
Short-term debt	9	42,090	35,360
Other liabilities	10	65,441	42,803
EQUITY			
Contributions by the Province of British Columbia	11	55,538	55,579
Retained earnings		48,609	48,609
		<u>592,000</u>	<u>567,458</u>
Commitments	12		

ON BEHALF OF THE BOARD:

George A. Rigsby, Director



Robert E. Parkinson, Director

*The accompanying notes are an integral part of these statements.*

AUDITORS' REPORT

To the Lieutenant-Governor-in-Council
Province of British Columbia

We have examined the balance sheet of British Columbia Buildings Corporation as at March 31, 1988 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of British Columbia Buildings Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
May 5, 1988

 CHARTERED ACCOUNTANTS

Statement of Income

	Note	Year ended March 31	
		1988	1987
REVENUE		\$000's	
Rentals		231,747	222,432
Other income		18,357	17,434
		<u>250,104</u>	<u>239,885</u>
EXPENSES			
Property management		67,630	62,541
Leases		51,211	47,575
Depreciation		29,805	28,464
Energy		14,063	14,417
Property taxes and grants		11,118	11,582
General and administrative		8,883	8,767
		<u>182,710</u>	<u>173,346</u>
Net income before interest		67,394	66,539
Interest	13	<u>44,429</u>	<u>61,247</u>
NET INCOME		<u>22,965</u>	<u>5,292</u>

Statement of Retained Earnings

	Year ended March 31	
	1988	1987
	\$000's	
Balance, beginning of year	48,609	45,962
Net income	<u>22,965</u>	<u>5,292</u>
	71,574	51,254
Dividend	<u>22,965</u>	<u>2,645</u>
Balance, end of year	<u><u>48,609</u></u>	<u><u>48,609</u></u>

The accompanying notes are an integral part of these statements.

British Columbia Buildings Corporation

Statement of Changes in Financial Position

OPERATING ACTIVITIES

	Year ended March 31	
	1988	1987
	\$000's	
Net income	22,965	5,292
Non-cash items – depreciation and amortization	32,919	35,899
– gains on disposal of properties	(2,134)	(2,801)
Other assets and liabilities, net change	(2,602)	(1,513)
	<u>51,148</u>	<u>36,877</u>

FINANCING ACTIVITIES

Long-term debt issued	27,300	50,000
Long-term debt repayments	(11,444)	(48,183)
Increase in sinking funds	(10,336)	(9,971)
Decrease in notes payable to the Province	(10,305)	(11,787)
Increase (decrease) in short-term debt	6,730	(958)
	<u>1,945</u>	<u>(20,899)</u>

INVESTMENT ACTIVITIES

Return of investment in British Columbia Place Ltd. to the Province	–	205,000
Debt relating to British Columbia Place Ltd. assumed by the Province	–	(205,000)
Real estate investments	(57,180)	(44,113)
Sale proceeds from disposal of properties	11,761	13,225
Corporate property and equipment	(2,898)	(2,429)
	<u>(40,317)</u>	<u>(33,317)</u>

DIVIDENDS

Dividend declared	(22,965)	(2,645)
Increase in dividend payable	20,320	2,645
	<u>(2,645)</u>	<u>–</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2,131</u>	<u>(17,339)</u>
--	--------------	-----------------

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

March 31, 1988

1. ACCOUNTING POLICIES

The Corporation is incorporated under the British Columbia Buildings Corporation Act as a Crown Corporation of the Province of British Columbia, and is an agent of the Crown.

(a) Real Estate Investments

Real estate investments and corporate properties and equipment are recorded at cost less accumulated depreciation. In addition to land and direct costs, amounts capitalized to real estate investments during development and construction include property taxes and the applicable portion of both interest on general borrowings and general and administrative expenses.

(b) Depreciation

Real estate investments and corporate properties and equipment are depreciated on an individual basis by the straight-line method over their estimated useful lives or lease terms. Depreciation is prorated by month in the year of acquisition or disposal.

The estimated useful lives or lease terms of income-producing and corporate properties are between five and forty years. The estimated useful lives of all other assets are between three and ten years.

(c) Income Taxes

The Corporation is exempt from Federal and Provincial income taxes.

(d) Sinking Funds

Payments made to sinking funds with respect to retirement provisions of sinking fund bonds and debentures, together with accumulated sinking fund earnings, are netted against long-term debt until such time as the bonds or debentures are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

(e) Amortization of Debt Discount and Issue Expenses

Debt discount is amortized by the effective rate of interest method and issue expenses are amortized on a straight-line basis, both over the terms of the applicable debt.

(f) Cash and Cash Equivalents

Cash and cash equivalents for purposes of the Statement of Changes in Financial Position includes cash and temporary investments, net of bank indebtedness.

2. INCOME-PRODUCING PROPERTIES

	1988	1987
	\$000's	
Net book value:		
Cost	710,317	686,467
Accumulated depreciation	(190,657)	(167,546)
	<u>519,660</u>	<u>518,921</u>
Activity:		
Net book value, beginning of year	518,921	510,429
Properties transferred from income-producing properties under construction	32,038	40,154
Disposals	(4,892)	(5,681)
Depreciation expense	(26,407)	(25,981)
Net book value, end of year	<u>519,660</u>	<u>518,921</u>

3. INCOME-PRODUCING PROPERTIES UNDER CONSTRUCTION

Balance, beginning of year	11,670	15,048
Direct development and construction costs	50,299	32,671
Capitalization of:		
Interest	1,372	1,236
General and administrative expenses	3,501	2,869
Cost of properties completed and transferred to income-producing properties	(32,038)	(40,154)
Balance, end of year	<u>34,804</u>	<u>11,670</u>

4. LAND HELD FOR DEVELOPMENT

Balance, beginning of year	10,521	11,355
Capitalization of interest and property tax	188	492
Disposals	(2,867)	(1,326)
Balance, end of year	<u>7,842</u>	<u>10,521</u>

British Columbia Buildings Corporation

Notes to the Financial Statements

March 31, 1988

5. CORPORATE PROPERTIES AND EQUIPMENT

	1988	1987
	\$000's	
Cost:		
Office and data processing equipment	11,943	9,982
Corporate properties and leasehold improvements	3,102	3,102
Maintenance equipment	2,387	2,399
Vehicles	2,953	2,440
	<u>20,385</u>	<u>17,923</u>
Accumulated depreciation	<u>(11,873)</u>	<u>(8,822)</u>
	<u>8,512</u>	<u>9,101</u>

6. OTHER ASSETS

Accounts receivable		
- Province of British Columbia	9,835	5,347
- Other	2,364	1,753
Prepaid expenses	2,080	410
	<u>14,279</u>	<u>7,510</u>

7. LONG-TERM DEBT

	1988	1987
	\$000's	
Principal outstanding:		
27 series at an average effective interest rate of 11.93% (1987 - 25 series at an average effective interest rate of 12.07%)	406,097	490,241
Sinking funds on deposit with the Minister of Finance and Corporate Relations for British Columbia, relating to long-term debt of \$313,041,000 (1987 - \$288,041,000)	(58,568)	(48,232)
	<u>347,529</u>	<u>442,009</u>
Liability assumed by the Province	-	(100,000)
	<u>347,529</u>	<u>342,009</u>

Coupon rates on the long-term debt range from 8.50% to 15.69%.

Of the long-term debt outstanding, \$154,922,000 (1987 - \$130,890,000) is payable to the Minister of Finance and Corporate Relations for British Columbia. The Province has unconditionally guaranteed the principal and interest of all other long-term debt issued by the Corporation.

At the option of the Minister of Finance for Canada, Sinking Fund Debentures with an aggregate principal of \$165,041,000 maturing between 1997 and 2003 may be called prior to maturity under certain conditions on six months written notice.

Included in the long-term debt is a mortgage of \$2.3 million secured by the Youth Detention Centre at Logan Lake.

Aggregate sinking fund and principal payments on all outstanding debt for each of the next five years:

	\$000's
1988/89	21,584
1989/90	66,587
1990/91	21,592
1991/92	46,681
1992/93	22,651

8. NOTES PAYABLE TO THE PROVINCE OF BRITISH COLUMBIA

The promissory notes are non-interest bearing, callable on 30 days notice, and repayable semi-annually in varying amounts to March 31, 1992, as follows:

	\$000's
1988/89	10,306
1989/90	10,306
1990/91	10,306
1991/92	1,875
	<u>32,793</u>

9. SHORT-TERM DEBT

The short-term notes are payable to the Minister of Finance and Corporate Relations for British Columbia and mature at varying dates to June 28, 1988. The effective interest rates range from 8.35% to 8.63%, and average 8.54% for the notes outstanding.

10. OTHER LIABILITIES

	1988	1987
	\$000's	
Due to bank, unsecured	1,231	3,362
Accounts payable and accrued liabilities	25,450	20,671
Holdbacks	2,829	1,215
Accrued interest payable:		
-- Province of British Columbia	5,376	6,293
-- Other	7,590	8,617
Dividend payable	22,965	2,645
	<u>65,441</u>	<u>42,803</u>

11. CONTRIBUTIONS BY THE PROVINCE OF BRITISH COLUMBIA

Balance, beginning of year	55,579	59,021
Land returned to the Province	(41)	(3,442)
Balance, end of year	<u>55,538</u>	<u>55,579</u>

12. COMMITMENTS

The Corporation estimates that the cost to complete projects under construction will be \$74,000,000 of which \$17,000,000 has been committed.

The Corporation has entered into leases with third parties to provide space for its client ministries and its head office for varying periods up to the year 2037, at a total aggregate net rental of approximately \$162,000,000. Most leases are for between five and ten years and include renewal options.

Minimum annual lease payments which will be charged to operations in subsequent years, for leases committed at March 31, 1988:

	\$000's
1988/89	40,000
1989/90	34,000
1990/91	28,000
1991/92	21,000
1992/93	15,000
Post 1992/93	24,000
	<u>162,000</u>

13. INTEREST

	1988	1987
	\$000's	
Interest on long-term debt	44,108	64,887
Other interest	3,645	4,815
Amortization of debt discount and issue expenses	3,113	7,309
Amortization of foreign exchange loss	—	126
	<u>50,866</u>	<u>77,137</u>
Deduct:		
Interest assistance	—	10,000
Interest earned	4,915	4,201
Interest capitalized	1,522	1,689
	<u>6,437</u>	<u>15,890</u>
	<u>44,429</u>	<u>61,247</u>

In previous years the Province of British Columbia provided assistance of \$10 million towards the interest expense incurred by the Corporation in connection with its former investment in British Columbia Place Ltd.

14. RELATED PARTY TRANSACTIONS

The Corporation received 92% of its total revenues from Provincial Government ministries. These revenues consist primarily of rents that are determined with reference to market; however, in such cases where comparable market rates do not exist, rents are based on the amortization of the capital costs.

During the year ended March 31, 1988, the Corporation had property transactions with the Province and its agents. Properties returned had a value of \$41,000 which was determined by reference to net book values.

**BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING
AUTHORITY**

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Chairman and Members of the
British Columbia Educational Institutions Capital
Financing Authority, and

To the Minister of Finance and Corporate Relations
Province of British Columbia:

I have examined the statement of assets and liabilities of the British Columbia Educational Institutions Capital Financing Authority as at March 31, 1988 and the statements of financing and lending activities and changes in sinking funds for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1988 and the results of its operations and changes in sinking funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in dark ink, reading "George L. Morfitt". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
May 30, 1988

EXHIBIT A

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

STATEMENT OF ASSETS AND LIABILITIES

AS AT MARCH 31, 1988

ASSETS

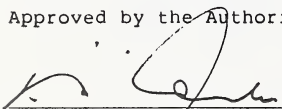
	In Thousands	
	<u>1988</u>	<u>1987</u>
Loans receivable (note 3)	\$ 445,978	\$ 439,072
Less: Sinking funds (note 5)	<u>83,937</u>	<u>65,597</u>
	362,041	373,475
Accrued interest receivable	<u>18,189</u>	<u>17,857</u>
	<u>\$ 380,230</u>	<u>\$ 391,332</u>

LIABILITIES

Term debt (note 4)	\$ 445,978	\$ 439,072
Less: Sinking funds (note 5)	<u>83,937</u>	<u>65,597</u>
	362,041	373,475
Accrued interest payable	<u>18,189</u>	<u>17,857</u>
	<u>\$ 380,230</u>	<u>\$ 391,332</u>

The five accompanying notes are an integral part of these financial statements.

Approved by the Authority:


 Mel Couvelier, Chairman

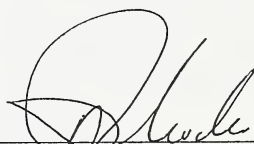

 Frank A. Rhodes, Secretary

EXHIBIT B

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

STATEMENT OF FINANCING AND LENDING ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 1988

	In Thousands	
	<u>1988</u>	<u>1987</u>
Funds generated from		
Interest on loans receivable	\$ 57,949	\$ 57,359
Debentures issued	6,906	19,654
Repayment of loans receivable	<u>-</u>	<u>6,911</u>
	<u>\$ 64,855</u>	<u>\$ 83,924</u>
Funds applied to		
Interest on term debt	\$ 57,949	\$ 57,359
Loans issued	6,906	19,654
Repayment of term debt	<u>-</u>	<u>6,911</u>
	<u>\$ 64,855</u>	<u>\$ 83,924</u>

EXHIBIT C

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

STATEMENT OF CHANGES IN SINKING FUNDS

FOR THE YEAR ENDED MARCH 31, 1988

	In Thousands	
	<u>1988</u>	<u>1987</u>
Increase		
Instalments	\$ 12,160	\$ 10,557
Investment income	<u>6,234</u>	<u>5,423</u>
	<u>18,394</u>	<u>15,980</u>
Decrease		
Funds management fees (note 5)	<u>54</u>	<u>52</u>
Net increase in Sinking Funds	18,340	15,928
Sinking Funds, Beginning of Year	<u>65,597</u>	<u>49,669</u>
Sinking Funds, End of Year	<u>\$ 83,937</u>	<u>\$ 65,597</u>

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

1. The Authority

The Authority was established by the Educational Institution Capital Finance Act, R.S.B.C. 1979, Chapter 102, as amended. Section 3 of the Act states "The purpose of the authority is to lend money to designated educational institutions to finance their capital expenditures".

The loans made by the Authority to the Educational Institutions are financed by, and have interest rates and maturity dates identical to, the borrowing of the Authority itself.

2. Significant accounting policies

a) Sinking fund investments

- i) Units in Province of British Columbia Pooled Investment Portfolios are carried at the lower of cost of acquisition, adjusted by income attributed to the units, and market value. Income attributed to the units represents the unitholder's share of interest earned by the Portfolio and is realizable by the unitholders upon the sale of units.
- ii) Long-term investments are valued at cost of acquisition adjusted by amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments.

3. Loans receivable

Loans receivable of \$ 415,714,000 (1987: \$ 408,808,000) are redeemable in whole or in part before maturity, on five months' notice, at the option of the Chairman of the Authority. Further loans receivable of \$ 5,188,000 (1987: \$ 5,188,000) are redeemable in whole or in part before maturity, on thirty days' notice, at the option of the Chairman of the Authority. The remaining loans receivable of \$ 25,075,662 (1987: \$ 25,075,662) are not redeemable before maturity.

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

	In Thousands	
4. Term debt	<u>1988</u>	<u>1987</u>
Held by:		
Canada Pension Plan Investment Fund 9.13% to 17.51% debentures, due 1998 through 2007	\$ 414,689	\$ 407,783
Province of British Columbia Pension Funds 10.875% and 11.75% debentures, due 1989 and 1993	4,772	4,772
Province of British Columbia 9.00% to 13.5% debentures, due 1989 through 1991	26,517	26,517
	<u>\$ 445,978</u>	<u>\$ 439,072</u>

Debentures issued to the Canada Pension Plan Investment Fund are redeemable in whole or in part before maturity, on six months' notice, at the option of the Minister of Finance of Canada, subject to certain restrictions.

Debentures issued to the Province of British Columbia of \$ 5,188,000 (1987: \$ 5,188,000) are redeemable in whole or in part before maturity, on thirty days' notice, at the option of the Minister of Finance and Corporate Relations of the Province of British Columbia. The remaining debentures issued to the Province of British Columbia of \$ 21,328,662 (1987: \$ 21,328,662) are not redeemable before maturity.

Debentures maturing in the next five fiscal years are as follows:

1989	\$ -
1990	4,213,000
1991	7,021,662
1992	13,827,000
1993	-

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

4. Term debt (continued)

Sinking fund instalments due in the next five fiscal years are as follows:

1989	\$ 12,311,256
1990	12,311,256
1991	12,020,416
1992	11,761,815
1993	9,895,880

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on \$419,461,000 (1987: \$412,555,000) of the debt of the Authority.

5. Sinking funds

	In Thousands	
	<u>1988</u>	<u>1987</u>
Units in Province of		
British Columbia Pooled Investment		
Portfolios (market value \$55,870,215	\$ 55,870	\$ 44,112
1987: \$44,214,939)		
Long-term investments	20,788	17,331
(market value \$19,698,734		
1987: \$17,457,084)		
Accrued interest	249	216
Other assets	<u>7,048</u>	<u>3,952</u>
	83,955	65,611
Less: Accounts payable	<u>18</u>	<u>14</u>
	<u>\$ 83,937</u>	<u>\$ 65,597</u>

Sinking fund instalments received from the Educational Institutions in respect of their debt to the Authority, together with the investment income earned thereon, are set aside in sinking funds maintained by the Trustee, the Minister of Finance and Corporate Relations. These funds provide for the retirement of Educational Institutions' debt and in turn, for the retirement of the debt of the Authority at maturity.

Funds management fees have been charged to the sinking funds of the Authority by the Minister of Finance and Corporate Relations in accordance with Section 39(4) of the Financial Administration Act. These fees are based on the market value of sinking fund assets and are charged on a quarterly basis during the year.

Other assets consist of funds held in the Province's fiscal agency loan program sinking fund.

BRITISH COLUMBIA ENTERPRISE CORPORATION

Coopers
& Lybrand

chartered accountants

a member firm of
Coopers & Lybrand (International)

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of British Columbia Enterprise Corporation as at March 31, 1988 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Vancouver, B.C.
April 29, 1988

BRITISH COLUMBIA ENTERPRISE CORPORATION

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1988

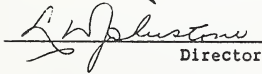
	\$
A S S E T S	
CASH	2,725,693
SHORT-TERM DEPOSITS	93,492,667
ACCOUNTS RECEIVABLE	2,304,752
AGREEMENTS FOR SALE AND ACCRUED INTEREST	14,216,964
CAPITAL LEASES AND ACCRUED INTEREST (note 3)	4,983,738
PROPERTY HELD FOR SALE (note 4)	220,497,986
INDUSTRIAL LOANS RECEIVABLE	149,580,499
OTHER ASSETS	507,893
SPECIAL LOANS PROGRAMS (note 5)	<u>73,933,846</u>
	<u>562,244,038</u>
L I A B I L I T I E S	
ACCOUNTS PAYABLE, DEPOSITS AND ACCRUED LIABILITIES	19,734,383
DEBT (note 6)	161,298,553
SPECIAL LOANS PROGRAMS (note 5)	<u>73,933,846</u>
	<u>254,966,782</u>
S H A R E H O L D E R S ' E Q U I T Y	
SHARE CAPITAL (note 7)	2
CONTRIBUTED SURPLUS (note 8)	300,326,032
APPRAISAL SURPLUS (note 9)	4,503,250
RETAINED EARNINGS	<u>2,447,972</u>
	<u>307,277,256</u>
	<u>562,244,038</u>

COMMITMENTS (note 11)

APPROVED BY THE DIRECTORS



Director



Director

BRITISH COLUMBIA ENTERPRISE CORPORATION

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 1988

\$

REVENUES

Land and project sales	22,041,695
Lease financing	527,485
Rental	3,654,860
Loan interest and guarantee fees	19,237,833
Loan management fees	720,699
Interest	6,749,639
Other	<u>4,854,464</u>
	<u>57,786,675</u>

EXPENSES

Cost of land sales	18,437,734
Interest	21,112,324
Staff remuneration	4,828,318
Outside services	4,394,145
Marketing	836,496
Utilities and maintenance	570,103
Office overhead	1,362,940
Taxes, grants in lieu of taxes and licences	1,890,630
Transportation	99,336
Corporate insurance	390,334
Depreciation and amortization	792,229
Miscellaneous	<u>624,114</u>
	<u>55,338,703</u>

NET EARNINGS FOR THE YEAR AND RETAINED EARNINGS -
END OF YEAR2,447,972

BRITISH COLUMBIA ENTERPRISE CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1988

\$

CASH PROVIDED FROM (USED FOR)

OPERATING ACTIVITIES

Net earnings for the year	2,447,972
Non-cash items - Add (deduct):	
Depreciation and amortization	792,229
Deferred revenue	<u>(1,015,316)</u>
	2,224,885

Change in assets and liabilities

Property held for sale	18,027,752
Industrial loans receivable	(4,859,499)
Accounts receivable, agreements for sale and capital leases	12,711,542
Accounts payable and deposits	<u>(3,085,977)</u>
	25,018,703

FINANCING ACTIVITY

Net increase in debt to fund industrial loans	<u>62,124,657</u>
INCREASE IN CASH	87,143,360
CASH AND SHORT-TERM DEPOSITS - BEGINNING OF YEAR	<u>9,075,000</u>
CASH AND SHORT-TERM DEPOSITS - END OF YEAR	<u>96,218,360</u>

BRITISH COLUMBIA ENTERPRISE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

1. THE CORPORATION AND BASIS OF PRESENTATION

British Columbia Enterprise Corporation (the Corporation) was incorporated under the Company Act of British Columbia as British Columbia Place Ltd., a provincial crown corporation having special powers under the British Columbia Place Act (now the British Columbia Enterprise Corporation Act). Under the Act, the assets of the Corporation belong to the Crown in right of the Province of British Columbia (the Crown) but may be dealt with and disposed of without reference to the Crown.

Pursuant to provincial legislation, the Corporation was renamed and, effective March 31, 1987, acquired the assets, liabilities and responsibilities for associated operations of British Columbia Development Corporation. Also, effective March 31, 1987, the Corporation transferred certain assets to its wholly owned subsidiary, B.C. Pavilion Corporation, and then transferred ownership of that subsidiary to the Province of British Columbia. In addition, the legislation provided for the financial restructuring of the Corporation effective March 31, 1987.

The current mandate of the Corporation is to carry out the privatization of the ownership of its assets and operations and, accordingly, all of its assets and operations are to be offered for sale. Sales of assets and operations could be carried out in various ways, including the sale of the shares of the Corporation itself. Accordingly, these financial statements have been prepared on a going-concern basis that does not take into account potential gains or losses on the disposal of certain assets and the settlement of liabilities that would result if the company were to be wound up.

No comparative figures have been presented, as the effect of the reorganization and restructuring described above is comparable to the establishment of a new entity and comparative figures are not considered meaningful.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

These consolidated financial statements include the accounts of the Corporation and its significant wholly owned subsidiaries, W.L.C. Developments Limited, The First Capital City Development Company Limited, Lonsdale Quay Development Company Limited and Duke Point Development Limited. W.L.C. Developments Limited includes the accounts of its wholly owned subsidiaries, Whistler Village Land Co. Ltd., Whistler Golf Ltd. and Whistler Conference Centre Inc.

BRITISH COLUMBIA ENTERPRISE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Property Held for Sale

i. Land and improvements

Land and improvements, other than public facilities, are recorded at the lower of cost, less any accumulated depreciation charged on revenue-producing assets, and estimated net realizable value. The Corporation capitalizes all direct acquisition, construction and development costs relating to land and improvements. Administrative overheads, financing charges and other carrying costs are not capitalized.

ii. Public facilities

Public facilities, except for the Whistler Conference Centre and parking structures, are recorded at cost. The Corporation capitalizes all direct acquisition, construction and development costs. Also capitalized are carrying costs, which include interest, grants in lieu of property taxes, other related costs and the applicable portion of general and administrative expenses which were incurred during the construction of the assets.

The Whistler Conference Centre is recorded at estimated replacement cost as determined by Phillips, Barrett, Kaiser Engineering Ltd. at November 25, 1985 plus the actual cost of additions to date less a provision for loss.

The Whistler parking structures are recorded at estimated replacement cost as determined by Grover, Elliott & Co. Ltd. at January 21, 1985 less a provision for loss. There have been no additions to the parking structures since the date of the appraisal.

(c) Depreciation

No depreciation is charged with respect to public facilities which are leased for nominal amounts and are considered non-revenue-producing.

Buildings which are considered to be revenue-producing are depreciated on a straight-line basis over their estimated useful lives.

BRITISH COLUMBIA ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1988

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Depreciation (continued)

Other assets, primarily office equipment, are depreciated on a straight-line basis over their estimated useful lives.

(d) Loan Commitment and Discharge Fees

Loan commitment fees are deferred and recognized as revenue over the period of the loan.

Loan discharge fees are recognized as revenue at the time of their receipt.

(e) Amortization of Deferred Charges

Debt discount on a long-term borrowing facility is deferred and amortized on a straight-line basis over the term of the debt.

(f) Accounting for Land Sales and Land Leases

Revenue from land sales and leases is recognized when all material requirements related to the transactions have been met and cash or appropriate security equal to at least 10% of the total proceeds has been received.

Land leases for periods of 65 to 99 years, where all revenue is received within the first three years and where no costs or risks with respect to the land are retained by the Corporation, are accounted for using the method prescribed for sales-type leases. Under this method, income or loss is recognized at the inception of the lease as though the land had been sold.

(g) Sinking Fund

Payments made to the sinking fund with respect to retirement provisions of the sinking fund debenture are netted against the related long-term borrowing facility until such time as the debenture is redeemed and cancelled. Interest earned on the sinking fund is treated as interest income with a corresponding increase in the sinking fund.

(h) Income Taxes

The Corporation is exempt from federal and provincial income taxes.

BRITISH COLUMBIA ENTERPRISE CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 1988

3. CAPITAL LEASES AND ACCRUED INTEREST

Capital leases are carried at the lesser of the present value of the minimum lease payments receivable and the current option price at which the lessee may acquire the property under lease.

4. PROPERTY HELD FOR SALE

Property held for sale is made up as follows:

	\$
Land and improvements	162,492,384
Public facilities and related equipment	<u>58,005,602</u>
	<u>220,497,986</u>

5. SPECIAL LOANS PROGRAMS

Special loans programs include loans advanced by the Corporation from funds loaned to the Corporation by the Province of British Columbia (the Province) for which the Province is at risk for all principal and accrued interest.

6. DEBT

Debt, except for a debenture in the amount of \$1,115,697, is all due to, or guaranteed by, the Province, and is composed of the following:

	\$
Principal - long-term facilities	95,680,057
- short-term facilities	62,940,068
Sinking fund	(3,188,104)
Interest	<u>5,866,532</u>
	<u>161,298,553</u>

The principal amount of long-term facilities is recorded net of unamortized debt discount of \$6,608,675. Included in long-term facilities is a sinking fund debenture in the amount of \$30,000,000 unconditionally guaranteed as to principal and interest by the Province. The sinking fund, including earned interest, is on deposit with the Minister of Finance and Corporate Relations, Province of British Columbia.

BRITISH COLUMBIA ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1988

6. DEBT (continued)

The aggregate amounts required in each of the next five years to meet sinking fund and retirement provisions in connection with long-term facilities is as follows:

	\$
Year ending March 31, 1989	24,056,035
1990	12,950,000
1991	44,807,000
1992	12,860,000
1993	Nil

The debenture for \$1,115,697 issued by a subsidiary bears interest at the rate of 3.75% per annum and is only payable under certain conditions.

An additional \$6,500,000 is conditionally payable upon the sale of certain properties. The average cost of funds at the year end was 9.13% for long-term facilities and 8.47% for short-term facilities.

7. SHARE CAPITAL

\$

Authorized -
10,000 common shares without par value

Issued and fully paid -
2 common shares

2

Effective March 31, 1987, the Corporation issued one common share at a price of \$1 in connection with the restructuring referred to in note 1.

BRITISH COLUMBIA ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1988

8. CONTRIBUTED SURPLUS

\$000s

Contributed surplus consists of the balance at March 31, 1987, as adjusted for certain amounts arising from the reorganization and restructuring referred to in note 1 as follows:

Balance as at March 31, 1987	243,373
Shareholder's deficiency of the Corporation at March 31, 1987	(82,230)
Shareholder's deficiency of British Columbia Development Corporation at March 31, 1987	(102,812)
Restructuring of debt, including interest thereon, which was due to the Province of British Columbia	404,004
Transfer of ownership of B.C. Pavilion Corporation to the Province of British Columbia	(162,009)
	<u>300,326</u>

9. APPRAISAL SURPLUS

\$

Whistler Conference Centre	2,190,250
Whistler Parking structure	<u>2,313,000</u>
	<u>4,503,250</u>

10. RELATED PARTY TRANSACTIONS

The public facilities are leased to, operated and managed by British Columbia Pavilion Corporation, which leases certain facilities from the Corporation for nominal amounts.

During the year, upon the instruction of the shareholder, the Corporation transferred assets with a carrying value of \$1,300,000 to a ministry of the Province of British Columbia for \$1. The loss on this transfer has been charged against the allowance for doubtful loans.

BRITISH COLUMBIA ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1988

10. RELATED PARTY TRANSACTIONS (continued)

During the year, the Corporation entered into an agreement with Expo '86 Corporation (Expo) and the Ministry of Economic Development whereby it undertook all the remaining obligations of Expo with respect to the disassembly, care and storage of remaining Theme Park assets, the dismantling or demolition of other Expo improvements and the restoration of the False Creek properties, in exchange for payment from Expo of the estimated cost to fulfill these obligations in the amount of approximately \$17,000,000.

Industrial loans receivable include \$13,000,000 of principal amounts for which the Corporation is indemnified by the Province for principal and interest.

Other related party transactions are disclosed in note 1 and elsewhere in these financial statements.

11. COMMITMENTS

At March 31, 1988, the Corporation was committed to advance funds up to \$126,000,000 in connection with industrial loans receivable.

12. SUBSEQUENT EVENT

Subsequent to the year end, certain False Creek lands were sold for amounts determined to have a net present value of \$145,010,000. These proceeds were in excess of book value. This amount was distributed to the shareholder pursuant to a resolution of the Directors by payment of \$50,000,000 cash and assignment of financial instruments.

BRITISH COLUMBIA FERRY CORPORATION

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

Chartered Accountants
1010 Bank of Commerce Building
1175 Douglas Street
Post Office Box 1205
Victoria, Canada V8W 2V3
Telephone: (604) 386-3521

AUDITORS' REPORT

To the Lieutenant-Governor in Council
Province of British Columbia:

We have examined the balance sheet of British Columbia Ferry Corporation as at March 31, 1988 and the statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The financial statements for the preceding year were examined by other Chartered Accountants.

Victoria, Canada.

May 18, 1988.

Chartered Accountants.

BRITISH COLUMBIA FERRY CORPORATION

STATEMENT OF INCOME

(expressed in thousands)

YEAR ENDED MARCH 31, 1988

	<u>1988</u>	<u>1987</u>
Operating revenues		
Tolls	\$ 138,591	\$ 131,938
Catering	28,201	30,585
Parking & other income (Note 11)	<u>1,696</u>	<u>1,431</u>
	168,488	163,954
Less cost of food and goods sold	<u>11,550</u>	<u>12,619</u>
	<u>156,938</u>	<u>151,335</u>
Operating expenses		
Salaries, wages and benefits	111,080	113,144
Fuel and lubricants	25,418	26,922
Operating supplies and services	16,542	16,437
Repairs, maintenance and replacements	16,233	18,647
Marketing, general and administrative	4,795	5,580
Contracted services	<u>2,015</u>	<u>1,886</u>
	<u>176,083</u>	<u>182,616</u>
Operating income (loss) before subsidy	(19,145)	(31,281)
Province of British Columbia subsidy (Note 12)	<u>57,000</u>	<u>57,000</u>
Income from operations	<u>37,855</u>	<u>25,719</u>
Investment income (Note 11)	5,593	2,619
Interest expense (Note 13)	<u>12,223</u>	<u>10,387</u>
Net interest expense	<u>6,630</u>	<u>7,768</u>
INCOME BEFORE DEPRECIATION	31,225	17,951
Depreciation	<u>29,663</u>	<u>29,552</u>
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	1,562	(11,601)
Extraordinary item (Note 14)	<u>-</u>	<u>1,951</u>
INCOME (LOSS) FOR THE YEAR	<u>\$ 1,562</u>	<u>\$(9,650)</u>

BRITISH COLUMBIA FERRY CORPORATION

STATEMENT OF DEFICIT

YEAR ENDED MARCH 31, 1988

(expressed in thousands)

	<u>1988</u>	<u>1987</u>
Deficit at beginning of year	\$ 51,916	\$ 32,400
Income (loss) for the year	<u>1,562</u>	<u>(9,650)</u>
	50,354	42,050
Dividend paid February 12, 1987 (Note 16)	<u>-</u>	<u>9,866</u>
DEFICIT AT END OF YEAR	<u>\$ 50,354</u>	<u>\$ 51,916</u>

BRITISH COLUMBIA FERRY CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED MARCH 31, 1988
(expressed in thousands)

	<u>1988</u>	<u>1987</u>
SOURCES (USES) OF CASH		
CASH FROM OPERATIONS		
Operations (Note 15)	\$ 27,231	\$ 20,309
Extraordinary item (Note 14)	<u>-</u>	<u>1,951</u>
	<u>27,231</u>	<u>22,260</u>
FINANCIAL ACTIVITIES		
Payments from reserved funds	5,700	-
Long term debt payment	(5,700)	-
Payments received on debenture	771	-
Capital lease	102	41,756
Capital lease payments	(750)	(1,025)
Payments to reserved funds	(5,327)	(322)
Appreciation of reserved funds	(1,580)	(4,208)
Dividend paid (Note 16)	-	(9,866)
Purchase of debenture	<u>-</u>	<u>(41,736)</u>
	<u>(6,784)</u>	<u>(15,401)</u>
INVESTMENT ACTIVITIES		
Fixed asset additions	(9,292)	(10,519)
Disposal of fixed assets	<u>-</u>	<u>8,702</u>
	<u>(9,292)</u>	<u>(1,817)</u>
INCREASE IN CASH	11,155	5,042
CASH AT BEGINNING OF YEAR	<u>10,974</u>	<u>5,932</u>
CASH AT END OF YEAR	<u>\$ 22,129</u>	<u>\$ 10,974</u>

Note: In this statement cash includes only cash available for day to day operations and does not include Reserved Funds cash.

BRITISH COLUMBIA FERRY CORPORATION

SUMMARY OF ACCOUNTING POLICIES

YEAR ENDED MARCH 31, 1988

In accordance with Section 8(7) of the Ferry Corporation Act the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles. Significant accounting policies adopted in the preparation of these financial statements are as follows:

Inventories -

Inventories are valued at the lower of cost and current replacement cost.

Long-Term Disability Plan -

The Corporation records as a current year expense the estimated present value of payments, until retirement, to employees eligible under the Long-Term Disability Plan. The plan is administered by the Superannuation Branch of the Public Service Commission, which receives and invests premiums from the Corporation. The excess of premiums paid under the Plan over reserves required for future payments is included in prepaid expense. In 1987 there was a deficiency of funds which was included in accrued liabilities.

Fixed assets:

Acquired from the Province of British Columbia:

Effective January 1, 1977 -

(a) Ships

Ships, which comprise part of the total assets acquired from the Province effective January 1, 1977 by Order-In-Council dated December 16, 1976 and transferred at an assigned value of \$1, have been revalued by the Corporation and are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977.

Accounting Policies

Fixed Assets - (continued)

Three ships presently under charter by the Province until 1994 are subchartered to the Corporation for the same period at an annual cost of \$1 each. Under the terms of the subcharter agreement with the Province, the Corporation may in 1994 request that the Province exercise its option to purchase these ships at its own expense in which case clear title to the ships will be transferred to the Corporation. Accordingly, these ships are reflected as capital assets of the Corporation in the accompanying financial statements and are stated at their estimated depreciated replacement value as at January 1, 1977.

(b) Berths, buildings and equipment

Berths, buildings and equipment transferred at an assigned value of \$1 are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977.

Effective October 1, 1983 -

On October 1, 1983 the remaining buildings and equipment at Deas Dock facility, not acquired from the Province on January 1, 1977 were transferred at an assigned value of \$1. These assets are reflected in the accompanying financial statements at their estimated depreciated replacement value as at October 1, 1983 based upon an appraisal made by Universal Appraisal Company Limited as at that date.

Additions and disposals subsequent to January 1, 1977:

The costs of major replacements, additions, extensions and improvements are capitalized in the fixed asset accounts. The costs of maintenance, repairs, minor renewals or replacements are charged against income. On retirement or disposal of fixed assets, the costs thereof and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the statement of income.

Accounting Policies

Depreciation -

Fixed assets are depreciated on the straight line method based upon the following useful lives:

Ships	25 years
Berths	5 - 10 years
Buildings and equipment	4 - 25 years

Leases -

All leases which transfers substantially all of the benefits and risks incidental to the ownership of property are accounted for as if they were acquisition of assets and incurrence of obligations at the inception of the lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. Assets recorded under capital leases are amortized on a straight-line basis over their useful lives.

Amortization of long-term debt discount and issue costs -

Promissory note discount is amortized on a compound interest method over the term of the debt. Issue costs for promissory notes and capital leases are amortized on a straight-line basis over the term of the debt.

Provision for annual refit costs -

The Corporation provides for ship refit expense by charging against income the anticipated costs over the period between refits.

Comparative Figures -

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

BRITISH COLUMBIA FERRY CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1988

1. CASH

Funds, other than those required for immediate settlement of liabilities, are invested in short-term securities authorized pursuant to the terms and provisions of the Financial Administration Act of British Columbia. The investments are arranged through the Ministry of Finance of the Province.

2. INVENTORIES

	<u>Year Ended March 31</u>	
	<u>1988</u>	<u>1987</u>
	(expressed in thousands)	
Spare components, parts and supplies	\$ 9,278	\$ 8,893
Fuel and lubricants	1,083	1,089
Goods for resale and catering supplies	<u>661</u>	<u>583</u>
	<u>\$ 11,022</u>	<u>\$ 10,565</u>

3. RESERVED FUNDS

The Corporation has segregated investments that are required for specific purposes or as required by long-term debt and capital lease obligations.

	<u>Year Ended March 31</u>	
	<u>1988</u>	<u>1987</u>
	(expressed in thousands)	
Sinking funds for long-term debt (Note 7)		
Administered by the Corporation	\$ 9,497	\$ 10,930
Less amount included in current assets to satisfy currently due debt repayment	<u>5,700</u>	<u>5,700</u>
	3,797	5,230
Administered by the Province	<u>1,582</u>	<u>1,132</u>
	5,379	6,362
Sinking fund for capital lease (Note 8)		
Administered by the Province	1,213	-
Fund for accrued sick leave liability (Note 9), Administered by the Corporation	<u>5,705</u>	<u>4,728</u>
	<u>\$ 12,297</u>	<u>\$ 11,090</u>

The current portion of \$5,700,000 included in the Reserved Fund balance of \$16,790,000 at March 31, 1987, has been reclassified to current assets to conform with the presentation adopted for the current year.

Notes

4. DEBENTURE

	<u>Year Ended March 31</u>	
	<u>1988</u>	<u>1987</u>
	(expressed in thousands)	
8.18% Debenture with the Province of British Columbia due December 10, 2006	\$ 40,965	\$ 41,736
Less: Principal due within one year	<u>835</u>	<u>770</u>
	<u>\$ 40,130</u>	<u>\$ 40,966</u>

By agreement with the Province, semi-annual payments to the Corporation equal the amount required under the lease obligation for the Queen of Oak Bay (Note 8). Excess funds are placed in a sinking fund to cover increased payments on the lease (Note 3).

5. FIXED ASSETS

	March 31, 1988		March 31, 1987	
	(expressed in thousands)			
	Cost or Appraised Value	Accumulated Depreciation	Net Book Value	Net Book Value
Ships owned	\$ 262,213	\$ 142,914	\$ 119,299	\$ 133,420
Ships under capital lease	127,828	45,787	82,041	87,315
Berths, buildings and equipment	155,632	104,676	50,956	55,322
Land	5,695	-	5,695	5,493
Construction in progress	<u>6,273</u>	<u>-</u>	<u>6,273</u>	<u>3,086</u>
	<u>\$ 557,641</u>	<u>\$ 293,377</u>	<u>\$ 264,264</u>	<u>\$ 284,636</u>

6. DEFERRED CHARGES

	<u>Year Ended March 31</u>	
	<u>1988</u>	<u>1987</u>
	(expressed in thousands)	
Long-term debt discount and expenses	\$ 3,021	\$ 4,337
Lease executory costs	<u>338</u>	<u>356</u>
	<u>\$ 3,359</u>	<u>\$ 4,693</u>

Notes

7. LONG-TERM DEBT

	<u>Year Ended March 31</u>	
	<u>1988</u>	<u>1987</u>
	(expressed in thousands)	
8.95% Promissory notes (effective rate of 15.75%), are repayable in five equal annual instalments of \$5.7 million	\$ 22,800	\$ 28,500
Less current portion	<u>5,700</u>	<u>5,700</u>
	17,100	22,800
12.08% Promissory note (effective rate of 12.44%) due September 9, 2003 is repayable by annual sinking fund payments of \$322,492	<u>14,758</u>	<u>14,758</u>
	<u>\$ 31,858</u>	<u>\$ 37,558</u>

Principal and sinking fund payments due in each of the next five years:

1989	1990	1991	1992	1993
\$6,022,492	\$6,022,492	\$6,022,492	\$6,022,492	\$322,492

The Province of British Columbia unconditionally guarantees the payment of principal and interest on the promissory notes.

Notes

8. OBLIGATIONS UNDER CAPITAL LEASES

The Corporation has obligations under capital leases for the M.V. "Queen of Oak Bay", M.V. "Queen of Surrey", M.V. "Quinsam" and other equipment.

	<u>Year Ended March 31</u>	
	<u>1988</u>	<u>1987</u>
	(expressed in thousands)	
Total minimum lease payments are:		
M.V. "Queen of Oak Bay"		
Implicit interest rate 8.14%	\$ 95,524	\$ 98,564
M.V. "Queen of Surrey"		
Implicit interest rate 8.685%	86,406	90,578
M.V. "Quinsam"		
Implicit interest rate 10.64%	8,089	10,034
Other equipment - Tractor		
Implicit interest rate 10.0%	49	109
Other equipment - Forklift		
Implicit interest rate 10.44%	<u>138</u>	<u>-</u>
	<u>\$ 190,206</u>	<u>\$ 199,285</u>
Payable in fiscal year ending in:		
1988	\$ -	\$ 8,532
1989	8,434	8,522
1990	8,379	8,473
1991	8,379	8,473
1992	9,216	9,310
1993	9,216	9,199
1994 and subsequent	<u>146,582</u>	<u>146,776</u>
	<u>190,206</u>	<u>199,285</u>
Less interest	<u>101,135</u>	<u>109,566</u>
Present value of net minimum capital lease payments	89,071	89,719
Less current portion	<u>1,280</u>	<u>1,128</u>
	<u>\$ 87,791</u>	<u>\$ 88,591</u>

Notes

9. ACCRUED SICK LEAVE LIABILITY

On September 1, 1978 the Corporation introduced short-term illness and injury and long-term disability plans and as of that date all employees ceased accruing sick leave credits. Under the collective agreement with the employees, in the event of illness, the accumulated sick time may be withdrawn prior to retirement. On retirement, any balance remaining is payable in cash at 50% of accredited time.

An actuarial evaluation by The Alexander Consulting Group Limited (formerly Reed Stenhouse Associates Limited) as at March 31, 1988 determined that the recorded liability for the portion payable on retirement was \$395,000 in excess of that required. This excess is being reflected in operations over three years ending March 31, 1990. In addition, the actuarial evaluation of withdrawals prior to retirement in event of illness for \$1,000,909 has been recorded in the accounts for the current year.

Funds reserved for liquidation of this liability are invested in short-term securities (Note 3).

10. CONTRIBUTED SURPLUS

	Year Ended March 31	
	1988	1987
	(expressed in thousands)	

Excess of estimated depreciated replacement value over assigned value of \$1 of assets acquired from the Province of British Columbia

- Ships, berths, buildings and equipment acquired January 1, 1977	\$ 249,674	\$ 249,674
- Buildings and equipment acquired October 1, 1983	<u>727</u>	<u>727</u>
	<u>\$ 250,401</u>	<u>\$ 250,401</u>

Notes

11. OTHER INCOME

	<u>Year Ended March 31</u>	
	<u>1988</u>	<u>1987</u>
	(expressed in thousands)	
Parking income	\$ 942	\$ 964
Other income	<u>754</u>	<u>467</u>
	<u>\$ 1,696</u>	<u>\$ 1,431</u>

Interest earned on funds in bank and investments of \$2,619,000 included in Other Income at March 31, 1987 has been reclassified to Investment Income to conform with the presentation adopted for the current year.

12. PROVINCIAL SUBSIDY

The Corporation received a cash subsidy of \$57,000,000 (1987 - \$57,000,000) from the Province of British Columbia. This cash subsidy is determined annually.

Additionally, included in fixed assets as "ships under capital lease" are three ships leased from the Province at an annual cost of \$1 each. The annual cost of these charters to the Province is \$4,819,800 which is included in the provincial "Estimates" as part of the subsidy to the Corporation.

Also, the Corporation utilizes Crown land for terminals and highway access without the payment of rental or property taxes. The value of these benefits has not been determined. The Corporation, as an agent of the Crown, is not liable to taxation, including taxation on improvements, except insofar as the Crown is liable.

13. INTEREST EXPENSE

	<u>Year Ended March 31</u>	
	<u>1988</u>	<u>1987</u>
	(expressed in thousands)	
Interest expense, amortization of promissory note discount and amortization of debt issue cost on:		
- long-term debt and capital leases	\$ 12,222	\$ 10,296
- short-term borrowings	<u>1</u>	<u>91</u>
	<u>\$ 12,223</u>	<u>\$ 10,387</u>

Notes

14. EXTRAORDINARY ITEM

Recovery of receivables in 1987 from British Columbia Steamship Company (1975) Limited written off in Fiscal Year 1982/83.

15. CASH FROM OPERATIONS

	<u>Year Ended March 31</u>	
	<u>1988</u>	<u>1987</u>
	(expressed in thousands)	
Income (loss) for the period before extraordinary item	\$ 1,562	\$(11,601)
Items not involving cash		
Depreciation	29,663	29,552
Amortization of promissory note discount and debt issue costs	1,334	1,170
Increase (decrease) in accrued sick leave liability (Note 9) ✓	977	(339)
Cash generated from (used for) operating working capital		
Accounts receivable	(1,158)	(147)
Inventories	(457)	25
Prepayments and deposits	(1,207)	(479)
Accounts payable and accrued liabilities	(2,935)	1,262
Deferred revenue	(548)	866
Cash generated from operations	<u>\$ 27,231</u>	<u>\$ 20,309</u>

16. DIVIDEND

The dividend was paid from the proceeds of the sale of the M.V. "Princess of Vancouver" and the extraordinary item (Note 14) in 1987.

17. PENSION PLAN

The Pension (Public Service) Act applies to the Corporation and its officers and employees. Accordingly, the Corporation is required to pay into the Public Service Superannuation Fund amounts equal to employees' contributions required under the Act.

BRITISH COLUMBIA FOOD EXHIBITIONS LTD.

Touche Ross & Co.
Chartered Accountants
880 Douglas Street, Suite 500
Victoria, B.C. V8W 2B7
Telephone: 604 383-1174
604 388-7511

**AUDITORS' REPORT**

The Shareholder
British Columbia Food Exhibitions Ltd.

We have examined the balance sheet of British Columbia Food Exhibitions Ltd. as at March 31, 1988 and the statements of income and deficit and changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Victoria, B. C.
June 15, 1988

Chartered Accountants

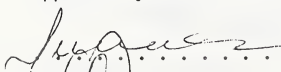



BRITISH COLUMBIA FOOD EXHIBITIONS LTD.
(Incorporated Under the Company Act of British Columbia)

BALANCE SHEET
AS AT MARCH 31, 1988

		<u>1988</u>	<u>1987</u>
<u>ASSETS</u>			
Current			
Cash		\$241,613	\$ 87,566
Term deposit		-	104,762
Treasury bill		198,510	-
Accounts receivable		466,350	19,270
Prepaid deposits		<u>3,000</u>	<u>-</u>
		909,473	211,598
Deferred costs net of revenue (Schedule A)		-	130,633
Fixed			
	<u>Cost</u>	<u>Accumulated Depreciation</u>	
Furniture and equipment	\$43,771	\$28,024	
	<u>=====</u>	<u>=====</u>	
		15,747	30,420
		<u>\$925,220</u>	<u>\$372,651</u>
		<u>=====</u>	<u>=====</u>

Approved by the Directors:

 Director
 Director

See accompanying notes to financial statements.



BRITISH COLUMBIA FOOD EXHIBITIONS LTD.
(Incorporated Under the Company Act of British Columbia)

BALANCE SHEET
AS AT MARCH 31, 1988

	<u>1988</u>	<u>1987</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 30,332	\$ 2,723
Due to the Ministry of Agriculture and Fisheries	37,830	-
Deferred revenue net of costs (Schedule A)	<u>487,130</u>	<u>-</u>
	<u>555,292</u>	<u>2,723</u>
<u>SHAREHOLDER'S EQUITY</u>		
Capital Stock		
Authorized		
12,600 Preference shares, Series A, par value \$50 each		
150,000 Common Shares of no par value		
Issued and fully paid		
11,027 Preference shares	551,350	551,350
101,750 Common shares	<u>41,155</u>	<u>41,155</u>
	592,505	592,505
Deficit	<u>(222,577)</u>	<u>(222,577)</u>
	<u>369,928</u>	<u>369,928</u>
	<u>\$925,220</u>	<u>\$372,651</u>
	=====	=====

See accompanying notes to financial statements.



BRITISH COLUMBIA FOOD EXHIBITIONS LTD.

STATEMENT OF INCOME AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 1988

	<u>1988</u>	<u>1987</u>
Revenue		
Exhibition	\$ -	\$1,036,925
Interest	-	35,956
Province of British Columbia grant	-	<u>1,225,000</u>
	<u>-</u>	<u>2,297,881</u>
Expense		
Professional services	-	127,277
Management salaries and travel	-	180,456
Promotion and marketing	-	809,521
Show production	-	550,273
Administration	-	240,401
Depreciation	-	<u>17,862</u>
	<u>-</u>	<u>1,925,790</u>
Net income for the year	-	372,091
Deficit at beginning of year	<u>(222,577)</u>	<u>(594,668)</u>
Deficit at end of year	<u>\$(222,577)</u>	<u>\$ (222,577)</u>

See accompanying notes to financial statements.



BRITISH COLUMBIA FOOD EXHIBITIONS LTD.

STATEMENT OF CHANGES IN CASH POSITION
FOR THE YEAR ENDED MARCH 31, 1988

	<u>1988</u>	<u>1987</u>
Operating activities		
Province of British Columbia grant received	\$500,000	\$ 300,000
Exhibition deposits received	91,001	851,046
Interest income	4,202	31,437
Deferred costs paid	(385,893)	(153,250)
Prepaid deposits	(3,000)	-
Show costs paid	-	(1,188,269)
Amounts due to Ministry of Agriculture and Fisheries	37,830	-
	<u>244,140</u>	<u>(159,036)</u>
Investing activities		
Proceeds on sale of fixed asset	4,000	-
Purchase of fixed assets	(345)	(3,030)
	<u>3,655</u>	<u>(3,030)</u>
Net change in cash during the year	247,795	(162,066)
Cash at beginning of year	<u>192,328</u>	<u>354,394</u>
Cash at end of year	<u>\$440,123</u>	<u>\$ 192,328</u>
Cash comprises:		
Cash	\$241,613	\$ 87,566
Term deposit	-	104,762
Treasury bill	<u>198,510</u>	<u>-</u>
	<u>\$440,123</u>	<u>\$192,328</u>

See accompanying notes to financial statements.

BRITISH COLUMBIA FOOD EXHIBITIONS LTD.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988

1. Summary of significant accounting policies

a) Fixed assets and depreciation

Fixed assets are carried at cost. Depreciation is based on the average useful life of the assets. Furniture and equipment are depreciated using the straight-line method at rates of 20% or 33% calculated on original cost less estimated residual value. When assets are retired, sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts.

b) Revenue and expense recognition

Recognition of the revenue and expenses contracted during the current year, relating to The Food Pacific '88 Trade Show to be held in August and September, 1988, has been deferred until completion of that show. The full amount contracted for space rental has been recorded at the time the contract was agreed upon.

2. Income taxes

As a Corporation wholly owned by the Province of British Columbia, the Company is exempt from income taxes under the provisions of Section 149 of the Income Tax Act.

3. Related Party Transactions

The Company received grants during the year from the Province of British Columbia totalling \$500,000.

Space rental charges and reimbursable costs due from the Ministry of Agriculture and Fisheries, in the amounts of \$51,419 and \$84,360 respectively, are included in the accounts receivable as at March 31, 1988. The Company received \$35,000 in net services from the Ministry at no cost.

The Company made payments in the amount of \$22,478 to the Ministry of Finance for mail services.



SCHEDULE A

BRITISH COLUMBIA FOOD EXHIBITIONS LTD.

 SCHEDULE OF DEFERRED REVENUE AND COSTS
 AS AT MARCH 31, 1988

	<u>1988</u>	<u>1987</u>
Deferred Revenue		
British Columbia Government grants	\$ 500,000	\$ -
Space rentals	571,010	33,578
Interest	<u>4,851</u>	<u>-</u>
	<u>1,075,861</u>	<u>33,578</u>
Deferred costs		
Professional services	45,344	6,820
Management salaries and travel	148,326	37,176
Promotion and marketing	176,284	44,676
Show production	560	2,393
Administration	198,954	64,902
Depreciation	<u>19,263</u>	<u>8,244</u>
	<u>588,731</u>	<u>164,211</u>
Deferred revenue net of costs (costs net of revenue)	\$ 487,130 =====	\$(130,633) =====

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Chairman and Members of
British Columbia Health Care Research Foundation, and

To the Minister of Health,
Province of British Columbia:

I have examined the balance sheet of British Columbia Health Care Research Foundation as at March 31, 1988 and the statement of revenue and expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Foundation as at March 31, 1988 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading 'George L. Morfitt'.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
May 13, 1988

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

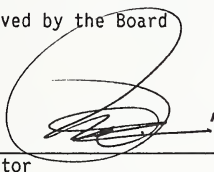
BALANCE SHEET

AS AT MARCH 31, 1988

	<u>1988</u>	<u>1987</u>
ASSETS		
Cash and short-term deposits	\$2,235,749	\$2,158,627
Accrued interest	11,345	43,183
Contributions receivable - Lottery Fund	517,626	-
	<hr/>	<hr/>
	\$2,764,720	\$2,201,810
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Accounts payable	\$ 12,470	\$ 11,131
Grants, fellowships and scholarships payable	2,652,693	1,888,655
	<hr/>	<hr/>
SURPLUS	99,557	302,024
	<hr/>	<hr/>
	\$2,764,720	\$2,201,810
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part
of these financial statements.

Approved by the Board



Director



Director

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

STATEMENT OF REVENUE AND EXPENDITURE AND SURPLUS

FOR THE YEAR ENDED MARCH 31, 1988

	<u>1988</u>	<u>1987</u>
REVENUE		
Contributions from the Lottery Fund	\$4,517,626	\$3,500,000
Interest	248,834	234,192
Donations	200	785
	<hr/>	<hr/>
	4,766,660	3,734,977
	<hr/>	<hr/>
EXPENDITURE		
Grants (Note 3)		
- Research	3,167,933	2,800,130
- Equipment	1,021,844	79,335
- Emergency Funding	47,773	81,990
- Development	3,142	25,475
	<hr/>	<hr/>
	4,240,692	2,986,930
Research Fellowships	111,958	85,805
Scholarship Awards (Note 4)	427,574	332,448
Administrative Expenses	188,903	169,150
	<hr/>	<hr/>
	4,969,127	3,574,333
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF EXPENDITURE OVER REVENUE	(202,467)	160,644
SURPLUS AT BEGINNING OF YEAR	302,024	141,380
	<hr/>	<hr/>
SURPLUS AT END OF YEAR	<u>\$ 99,557</u>	<u>\$ 302,024</u>

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

1. NATURE OF THE FOUNDATION

The Foundation is incorporated under the Society Act of British Columbia. The objects of the Foundation are to assist and collaborate with organizations conducting research in the field of health care in the Province of British Columbia; to co-operate with community facilities or organizations concerned with the general health of communities in the Province; and to accept and receive such grants, donations and other funds as may be deemed appropriate for use in the carrying out of the objects of the Foundation.

2. SIGNIFICANT ACCOUNTING POLICIES

Grants and fellowships are expensed in the year they are awarded.

Scholarship awards are renewable for three additional years, subject to satisfactory annual progress reports and applications for renewal. Only current year awards are expensed during the year.

3. GRANTS

The Foundation awards grants to support health care research, equipment, development and emergency projects. Amounts which remain unexpended at project completion or unexpended due to project cancellation or alternate funding are returnable to the Foundation.

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

3. GRANTS (continued)

The grants were awarded to recipients with the following organizations:

	1988	1987
Arthritis Society	\$ 2,000	\$ 22,500
B.C. Cancer Research Centre	25,000	24,000
B.C. Children's Hospital	2,500	-
Cancer Control Agency of B.C.	154,800	165,500
Canadian Red Cross	30,000	-
EVS Consultants	40,000	-
Greater Victoria Hospital Society	47,000	-
G.F. Strong Rehabilitation Centre	22,000	-
Lions Gate Hospital	17,755	33,000
100 Mile House Board of Health	-	28,600
Queen Alexandra Hospital	-	52,695
Shaughnessy Hospital	30,000	30,000
Simon Fraser University	208,600	121,180
University of British Columbia	3,613,141	2,452,138
University of Victoria	161,000	98,000
Vancouver General Hospital	-	2,000
Village of 100 Mile House	10,000	-
Western Society for Senior Citizens	-	45,000
	<hr/>	<hr/>
	4,363,796	3,074,613
Less: Prior Years' Returned Grants	123,104	87,683
	<hr/>	<hr/>
	\$4,240,692	\$2,986,930
	<hr/> <hr/>	<hr/> <hr/>

4. COMMITMENT

The estimated cost to complete the funding of all outstanding scholarship grants is \$650,342 (1987 - \$565,836).

BRITISH COLUMBIA HERITAGE TRUST

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Chairman and Directors of the Board of the
British Columbia Heritage Trust, and

To the Minister of Tourism, Recreation and Culture,
Province of British Columbia:

I have examined the Balance Sheet of the British Columbia Heritage Trust as at March 31, 1988 and the Statements of Revenue, Expenditure and Heritage Investment Fund and Changes in Financial Position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Trust as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles set out in note 2 to the financial statements applied on a basis consistent with the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Heritage Conservation Act. In my opinion these transactions were, in all significant respects, in compliance with the Act.



George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
May 27, 1988

BRITISH COLUMBIA HERITAGE TRUST

BALANCE SHEET

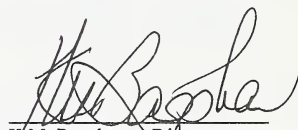
AS AT MARCH 31, 1988

	<u>1988</u>	<u>1987</u>
ASSETS		
Cash and short-term investments	\$2,055,211	\$1,841,644
Accounts receivable	500	52,638
Properties (note 3)	<u>1,338,916</u>	<u>1,184,830</u>
	<u>\$3,394,627</u>	<u>\$3,079,112</u>
LIABILITIES		
Accounts payable		
Trade	\$ 26,950	\$ 39,348
Province of British Columbia	<u>3,507</u>	<u>4,317</u>
	30,457	43,665
Heritage Investment Fund (notes 4 & 7)	<u>3,364,170</u>	<u>3,035,447</u>
	<u>\$3,394,627</u>	<u>\$3,079,112</u>
COMMITMENTS (note 6)		

The accompanying notes are an integral part of these financial statements.

Approved by the Board:


M.F. Patterson, Chairman


K.M. Bagshaw, Director

BRITISH COLUMBIA HERITAGE TRUST
STATEMENT OF REVENUE,
EXPENDITURE AND HERITAGE INVESTMENT FUND
FOR THE YEAR ENDED MARCH 31, 1988

REVENUE	<u>1988</u>	<u>1987</u>
Grant from the British Columbia Lottery Fund	\$1,900,000	\$1,400,000
Investment Income	162,510	225,557
Esso Heritage Brick Program (note 4)	-	155,593
Donations and Miscellaneous Revenue	<u>2,704</u>	<u>21,412</u>
	<u>2,065,214</u>	<u>1,802,562</u>
EXPENDITURE		
Grants		
- Archaeology	150,000	6,491
- Building Restoration	355,756	91,137
- Commemorative Monuments	-	8,800
- Conferences and Societies	48,595	44,790
- Development Projects	130,202	-
- Heritage Area Revitalization Program	362,166	544,400
- Planning and Inventory	129,305	146,806
- Publications Assistance	61,442	98,143
- Religious Buildings	109,673	49,600
- Scholarships	22,000	22,000
- Special Projects	97,103	92,627
- Student Employment	1,500	217,264
- Transportation Artifacts	<u>33,110</u>	<u>89,490</u>
	1,500,852	1,411,548
Administration	101,041	80,272
Education and Communication	41,431	60,586
Esso Heritage Brick Program	5,023	51,490
Operating Expenses	<u>88,144</u>	<u>85,401</u>
	<u>1,736,491</u>	<u>1,689,297</u>
EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR	328,723	113,265
HERITAGE INVESTMENT FUND - BEGINNING OF YEAR	<u>3,035,447</u>	<u>2,922,182</u>
HERITAGE INVESTMENT FUND - END OF YEAR	<u>\$3,364,170</u>	<u>\$3,035,447</u>

BRITISH COLUMBIA HERITAGE TRUST
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1988

	<u>1988</u>	<u>1987</u>
CASH RESOURCES PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income	\$ 328,723	\$ 113,265
Decrease in accounts receivable	52,138	929
Increase (decrease) in accounts payable	(13,208)	24,433
	<u>367,653</u>	<u>138,627</u>
FINANCING ACTIVITIES		
Collection of mortgages receivable	-	99,856
Collection of loan receivable	<u>-</u>	<u>1,000</u>
	<u>-</u>	<u>100,856</u>
PROPERTY TRANSACTIONS		
Capital expenditures	(154,086)	(20,386)
Value of donation	<u>-</u>	<u>(20,000)</u>
	<u>(154,086)</u>	<u>(40,386)</u>
CASH AND SHORT-TERM DEPOSITS		
Increase for the year	213,567	199,097
Balance - beginning of year	<u>1,841,644</u>	<u>1,642,547</u>
Balance - end of year	<u>\$2,055,211</u>	<u>\$1,841,644</u>

BRITISH COLUMBIA HERITAGE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1988

1. THE TRUST

The British Columbia Heritage Trust is a Crown Corporation incorporated under the Heritage Conservation Act, R.S.B.C. 1979, Chapter 165, and is an agent of the Crown. The object of the Trust is to encourage and facilitate the protection and conservation of heritage property in the Province.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles, except that grants are recorded as an expenditure in the year the disbursement is made.

a) Property and Depreciation

All costs incurred for the acquisition and restoration of property of the Trust are capitalized. Donated property is recorded at appraised value at the time of its receipt.

Due to the heritage nature of the properties, no provision is made for depreciation.

b) Short-term investments

Short-term investments consist of units in Province of British Columbia Pooled Investment Portfolios. Units are carried at the lower of cost of acquisition adjusted by income attributed to the units, and market value. Income attributed to the units represents the unitholder's share of interest earned by the Portfolio and may be realizable upon the sale of units.

BRITISH COLUMBIA HERITAGE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1988

3. PROPERTIES

	<u>1988</u>	<u>1987</u>
Land, Buildings and Furnishings		
Beachgrove	\$ 121,185	\$ 121,185
Hat Creek Ranch	630,309	536,937
Keremeos Grist Mill	324,701	313,908
Vallican Archaeological Site	<u>82,080</u>	<u>32,159</u>
	<u>1,158,275</u>	<u>1,004,189</u>
Machinery and Equipment		
C.P. Railway Business Car #19	47,041	47,041
Machinery Artifacts	113,600	113,600
B.X. Stagecoach	<u>20,000</u>	<u>20,000</u>
	<u>180,641</u>	<u>180,641</u>
	<u>\$1,338,916</u>	<u>\$1,184,830</u>

4. ESSO HERITAGE BRICK PROGRAM

On April 18, 1985 the Trust entered into an agreement whereby Imperial Oil Limited, as an agent of the Trust, undertook to solicit and raise funds for the Trust from the public through a program to be known as the Esso Heritage Brick Program. According to this program a subscriber, for a tax-deductible donation, was entitled to have his name engraved on a brick which was then permanently laid in the Roundhouse Courtyard in Vancouver. The bricks were offered to the public up to and including October 31, 1986 by Imperial through its own and other selected outlets.

The net proceeds received by the Trust from the program are to be used for the protection and conservation of transportation artifacts. During the current year, the Trust has paid out grants of \$33,110 from this program and these payments are included in Grants - Transportation Artifacts. The amount available to be paid out for the above purposes amounted to \$29,319. This amount is committed at March 31, 1988 (1987 - \$67,452).

BRITISH COLUMBIA HERITAGE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1988

5. RELATED PARTY TRANSACTIONS

The following summarizes the related party transactions during the year between the Trust and the Province of British Columbia.

- a) The Trust received grants from the British Columbia Lottery Fund amounting to \$1,900,000 during the year ended March 31, 1988 (1987 - \$1,400,000).
- b) The Province provides certain staffing, accommodation, audit and administrative services for the Trust at no charge. The cost of providing these services for the year ended March 31, 1988 amounted to approximately \$304,000 (1987 - \$272,000).

6. COMMITMENTS

The Trust had commitments of \$1,672,420 at March 31, 1988 (1987 - \$1,549,595).

7. HERITAGE TRUST INVESTMENT FUND

The accumulated excess of revenues over expenditures previously termed surplus has been renamed the Heritage Trust Investment Fund.

**BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT
FINANCING AUTHORITY**

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803


AUDITOR'S REPORT

To the Chairman and Members of the
British Columbia Housing and Employment Development
Financing Authority, and

To the Minister of Finance and Corporate Relations
Province of British Columbia:

I have examined the statement of assets and liabilities and accumulated balance of the British Columbia Housing and Employment Development Financing Authority as at March 31, 1988 and the statements of revenue, expenditure and accumulated balance, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.


George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
May 20, 1988

EXHIBIT A

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT
FINANCING AUTHORITY
STATEMENT OF ASSETS, LIABILITIES AND ACCUMULATED BALANCE
AS AT MARCH 31, 1988

ASSETS

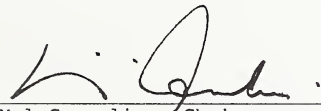
	<u>1988</u>	<u>1987</u>
Cash and temporary investments	\$1,829,476	\$ -
Notes receivable (note 4)	<u>-</u>	<u>29,129,099</u>
	<u>\$1,829,476</u>	<u>\$29,129,099</u>

LIABILITIES AND ACCUMULATED BALANCE

Bank overdraft	\$ -	\$ 188,929
Due to the Province of British Columbia	30,643	31,106
Accounts payable	7,732	7,384
Accrued interest payable	367,126	521,354
Term debt (note 5)	<u>1,219,300</u> 1,624,801	<u>26,588,773</u> 27,337,546
Accumulated balance	<u>204,675</u>	<u>1,791,553</u>
	<u>\$1,829,476</u>	<u>\$29,129,099</u>

The five accompanying notes are an integral part of these financial statements.

Approved by the Authority:


Mel Couvelier, Chairman

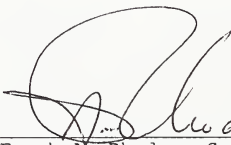

Frank A. Rhodes, Secretary

EXHIBIT B

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT
FINANCING AUTHORITY
STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED BALANCE
FOR THE YEAR ENDED MARCH 31, 1988

	<u>1988</u>	<u>1987</u>
Revenue		
Interest income		
- temporary investments	\$ 37,475	\$ 121,453
- notes receivable	<u> -</u>	<u>1,449,351</u>
	<u>37,475</u>	<u>1,570,804</u>
Expenditure		
Interest on term debt	1,594,759	2,539,758
Administrative costs	<u>29,594</u>	<u>251,101</u>
	<u>1,624,353</u>	<u>2,790,859</u>
Excess of Expenditure over Revenue	1,586,878	1,220,055
Accumulated Balance, Beginning of Year	<u>1,791,553</u>	<u>3,011,608</u>
Accumulated Balance, End of Year	<u>\$ 204,675</u>	<u>\$1,791,553</u>

EXHIBIT C

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT

FINANCING AUTHORITY

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1988

	<u>1988</u>	<u>1987</u>
Operating Transactions		
Excess of Expenditure over Revenue	\$ (1,586,878)	\$ (1,220,055)
Add Non-cash Items		
Amortization of debt discount	-	282,779
Cash Generated from (Used for):		
Accrued interest payable	(154,228)	(11,077,584)
Due to Province of British Columbia	(463)	(67,970)
Accrued interest receivable	-	246,539
Accounts payable	<u>348</u>	<u>(54,781)</u>
Used for Operations	<u>(1,741,221)</u>	<u>(11,891,072)</u>
Financing Transactions		
Sources		
Redemption of notes receivable	29,129,099	106,210,064
Proceeds from issue of term debt	<u>141,122,669</u>	<u>175,995,392</u>
	170,251,768	282,205,456
Uses		
Redemption of term debt	<u>166,492,142</u>	<u>287,527,798</u>
Derived from (Used for) Financing Transactions	<u>3,759,626</u>	<u>(5,322,342)</u>
Increase (Decrease) in Funds	2,018,405	(17,213,414)
Funds at Beginning of Year	<u>(188,929)</u>	<u>17,024,485</u>
Funds at End of Year	<u>\$ 1,829,476</u>	<u>\$ (188,929)</u>

Funds consist of cash and temporary investments net of bank overdraft.

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT

FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

1. The Authority

The Authority was established on October 14, 1982 by the Housing and Employment Development Financing Act, S.B.C. 1982 Chapter 34. Section 3 of the Act states that "The purposes of the authority are to create employment by financing housing and other capital projects in British Columbia, and any other programs the committee considers advisable, and to raise money for those purposes by the issue of housing and development bonds".

2. Future operations

The Authority has fulfilled the purpose for which it was created. All notes receivable and term debt have matured and no further debt issues are permissible under the Act. It is the intent of the management of the Authority to request the British Columbia Legislature to dissolve the Authority, by the repeal of the Housing and Employment Development Financing Act, S.B.C. 1982 Chapter 34.

3. Significant accounting policies

Temporary investments consist of units in Province of British Columbia Pooled Investment Portfolios. These units are carried at the lower of cost of acquisition, adjusted by income attributed to the units, and market value. Income attributed to the units represents the unitholder's share of interest earned by the Portfolio and is realizable by the unitholders upon the sale of units.

As at March 31, 1988 carrying value was equal to market value.

4. Notes Receivable

British Columbia Enterprise Corporation:

	<u>1988</u>	<u>1987</u>
<u>Maturity</u>		
<u>Rate</u>		
December 31, 1987	\$ -	\$29,129,099
Interest determined by the Minister of Finance and Corporate Relations, with current rate per annum 0%		
	<u>\$ -</u>	<u>\$29,129,099</u>

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT

FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

5. Term Debt

	<u>1988</u>	<u>1987</u>
Unpresented debentures		
matured March 31, 1986	\$1,219,300	\$ 2,226,200
Notes payable to the		
Province of British Columbia	<u>-</u>	<u>24,643,942</u>
	1,219,300	26,870,142
Less: Unamortized discount	<u>-</u>	<u>281,369</u>
	<u>\$1,219,300</u>	<u>\$26,588,773</u>

The Province of British Columbia has unconditionally guaranteed payment of principal and interest on the unpresented debentures of the Authority.

BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION**Thorne Ernst & Whinney**

Chartered Accountants

400 - 625 Agnes Street
New Westminster, B.C.
Canada V3M 5Y4Tel: (604) 526-2411
Fax: (604) 520-6285**AUDITORS' REPORT**To the Chairman
British Columbia Housing Management Commission

We have examined the combined balance sheet of the Province of British Columbia, Projects and Programs Managed by British Columbia Housing Management Commission, (the Commission) as at December 31, 1987 and the combined statements of revenue and expenditure and Province's account and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the combined financial position of these projects and programs managed by the Commission as at December 31, 1987 and the combined results of their operations and changes in their financial position for the year then ended in accordance with the accounting policies described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

The financial statements for the preceding year were examined by other Chartered Accountants.

Thorne Ernst & Whinney

New Westminster, Canada

April 8, 1988

PROVINCE OF BRITISH COLUMBIA
PROJECTS AND PROGRAMS MANAGED BY
BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

COMBINED BALANCE SHEET
DECEMBER 31, 1987 AND 1986

	<u>1987</u>	<u>1986</u>
ASSETS		
Cash	\$ 4,171,875	\$ -
Accounts receivable	652,562	487,354
Prepaid expenses and shelter supplement	851,000	984,404
Due from Province of British Columbia	-	3,050,700
Due from Canada Mortgage and Housing Corporation	2,173,892	6,862,427
Disaster loss fund (note 3)	783,399	732,537
Fixed assets (note 4)	<u>258,750</u>	<u>110,276</u>
	<u>\$ 8,891,478</u>	<u>\$12,227,698</u>
	=====	=====
LIABILITIES AND PROVINCE'S ACCOUNT		
Bank indebtedness	\$ -	\$ 2,675,870
Accounts payable & accrued liabilities	4,351,530	5,560,717
Tenants' prepaid rent	326,283	327,261
Amortization payable	115,521	150,357
Disaster loss reserve (note 3)	<u>783,399</u>	<u>732,537</u>
	5,576,733	9,446,742
Province's account	<u>3,314,745</u>	<u>2,780,956</u>
	<u>\$ 8,891,478</u>	<u>\$12,227,698</u>
	=====	=====

Approved by the Commission:

Chairman

Member

Murray H. Orr
DR M. R. Bayall

See accompanying notes.

PROVINCE OF BRITISH COLUMBIA
 PROJECTS AND PROGRAMS MANAGED BY
 BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION
 COMBINED STATEMENT OF REVENUE AND EXPENDITURE
 AND PROVINCE'S ACCOUNT
 YEARS ENDED DECEMBER 31, 1987 AND 1986

	<u>1987</u>	<u>1986</u>
Revenue:		
Tenant rent	\$ 21,383,803	\$ 20,692,823
Sundry	<u>499,620</u>	<u>351,718</u>
	<u>21,883,423</u>	<u>21,044,541</u>
Expenditure:		
Amortization	14,257,299	14,318,670
Operating	11,926,421	11,547,515
Shelter supplement	6,114,610	5,965,560
Maintenance	4,711,418	4,420,694
Grants in lieu of taxes (note 5)	3,800,887	3,605,457
Administration	3,928,897	3,610,101
Modernization and improvement	11,445,514	9,902,906
Provincial programs	1,989,366	1,941,730
Working capital interest (note 2)	<u>683,283</u>	<u>699,171</u>
	<u>58,857,695</u>	<u>56,011,804</u>
Operating deficit	36,974,272	34,967,263
Interest income, net	<u>597,680</u>	<u>572,503</u>
Excess of expenditure over revenue for the year	36,376,592	34,394,760
Less Canada Mortgage and Housing Corporation subsidy share	<u>21,423,777</u>	<u>20,351,800</u>
Net Provincial share of expenditure	14,952,815	14,042,960
Subsidy receipts	<u>15,491,900</u>	<u>14,788,220</u>
	539,085	745,260
Province's account, beginning of year	2,780,956	2,035,696
Prior period adjustment (note 6)	<u>(5,296)</u>	<u>-</u>
Province's account, end of year	<u>\$ 3,314,745</u> =====	<u>\$ 2,780,956</u> =====

See accompanying notes.

PROVINCE OF BRITISH COLUMBIA

PROJECTS AND PROGRAMS MANAGED BY
BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSIONCOMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 1987 AND 1986

	<u>1987</u>	<u>1986</u>
Operating activities:		
Excess of expenditure over revenue for the year	\$36,376,592	\$34,394,760
(Deduct) items not affecting working capital:		
Depreciation	(63,742)	(77,530)
Loss on sale of fixed assets	(45,869)	-
Net changes in non-cash working capital balances relating to operations:		
Accounts receivable	165,208	151,682
Prepaid expenses and shelter supplement	(133,404)	37,624
Accounts payable & accrued liabilities	1,209,187	(2,110,268)
Tenants' prepaid rent	978	(112,832)
Amortization payable	<u>34,836</u>	<u>(150,357)</u>
Cash applied to operations	<u>37,543,786</u>	<u>32,133,079</u>
Investing activities:		
Additions to fixed assets	275,045	-
Proceeds on sale of fixed assets	<u>(16,960)</u>	<u>-</u>
Cash applied to investing activities	<u>258,085</u>	<u>-</u>
Financing activities:		
Subsidy receipts:		
Province of British Columbia	18,542,600	13,845,520
Canada Mortgage and Housing Corporation	<u>26,107,016</u>	<u>18,280,665</u>
Cash provided by financing activities	<u>44,649,616</u>	<u>32,126,185</u>
Increase (decrease) in cash during the year	6,847,745	(6,894)
Bank indebtedness, beginning of year	<u>2,675,870</u>	<u>2,668,976</u>
Cash (bank indebtedness), end of year	<u>\$ 4,171,875</u> =====	<u>\$(2,675,870)</u> =====

See accompanying notes.

PROVINCE OF BRITISH COLUMBIA
PROJECTS AND PROGRAMS
MANAGED BY BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1987

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of financial statement presentation

These statements combine six separate financial statements of projects and programs operated by the Province of British Columbia (Ministry of Social Services and Housing), and each has its own subsidy sharing agreement and is managed by British Columbia Housing Management Commission (the Commission).

The statements are prepared on the basis of accounting policies followed by similar entities in the Province of British Columbia.

b) Amortization

These statements do not include the capital cost of the projects, however, amortization in lieu of depreciation and interest on capital costs is in part payable to the Provincial Rental Housing Corporation and in part credited to Canada Mortgage and Housing Corporation based on schedules provided by the participants.

c) Tenant rent revenue

Tenant rent revenue represents rent charged to residents, and is determined as the lesser of market rent and a percentage of the residents' income.

d) Fixed assets

All purchases are recorded as program operating expenditures, except for computer hardware and software which are recorded at cost as fixed assets and depreciated on the straight line basis over five and three years respectively.

2. WORKING CAPITAL INTEREST

The Province of British Columbia, through its Wholly Provincial Projects and Programs account, provides working capital to the projects and programs managed by the Commission, at interest rates agreed to by the participants.

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1987
PAGE 2

3. DISASTER LOSS FUND

This fund, financed by the Province of British Columbia and Canada Mortgage and Housing Corporation, provides for claims below the deductible amounts of insured properties and for damages to uninsured items.

	1987	1986
Balance, beginning of year	\$ 732,537	\$ 671,387
Working capital interest	71,509	73,129
	<u>804,046</u>	<u>744,516</u>
Less claims expense	20,647	11,979
Balance, end of year	<u>\$ 783,399</u>	<u>\$ 732,537</u>
	=====	=====

4. FIXED ASSETS

	Cost	Accumulated Depreciation	1987 Net	1986 Net
Computer Hardware	\$ 289,882	\$ 129,147	\$ 160,735	\$ 110,276
Computer Software	170,960	72,945	98,015	-
Balances, end of year	<u>\$ 460,842</u>	<u>\$ 202,092</u>	<u>\$ 258,750</u>	<u>\$ 110,276</u>
	=====	=====	=====	=====

5. GRANTS IN LIEU OF TAXES

The Commission, on behalf of the Province of British Columbia and Canada Mortgage and Housing Corporation, pays each municipality a grant equivalent to property taxes due for all residential properties and projects managed.

6. PRIOR PERIOD ADJUSTMENT

Under an agreement between the Province of British Columbia and Canada Mortgage and Housing Corporation, the cost sharing of subsidies between the participants has been revised for the prior year.

7. LEASE COMMITMENTS

The Commission has minimum rental obligations under operating leases for office space to be expensed over the next five years as follows: \$450,000 in 1988, \$450,000 in 1989, \$389,000 in 1990, \$339,000 in 1991, and \$285,000 in 1992.

8. COMPARATIVE INFORMATION

Certain 1986 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1987.

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

**Deloitte
Haskins+Sells**

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(604) 669-4466
Telex 04-54414

REPORT OF THE AUDITORS

The Lieutenant Governor in Council,
Province of British Columbia:

We have examined the balance sheets of British Columbia Hydro and Power Authority as at March 31, 1988 and 1987 and the statements of income and earnings employed in the business and of changes in financial position for each of the years in the two year period ended March 31, 1988. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. The statements of income and earnings employed in the business and of changes in financial position of British Columbia Hydro and Power Authority for the year ended March 31, 1986 were examined by other auditors.

In our opinion, the financial statements examined by us present fairly the financial position of British Columbia Hydro and Power Authority as at March 31, 1988 and 1987 and the results of its operations and the changes in its financial position for each of the years in the two year period ended March 31, 1988 in accordance with generally accepted accounting principles applied, except for the change in 1988, with which we concur, in the method of accounting for pension costs and obligations and after giving retroactive effect to the change in 1987, with which we concur, in the method of accounting for unrealized foreign exchange gains and losses on sinking funds, as explained in Note 2 to the financial statements, on a consistent basis.

Deloitte Haskins + Sells

Chartered Accountants
Vancouver, British Columbia

May 20, 1988

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
BALANCE SHEET AS AT MARCH 31

	1988	1987	1988	1987
	(in millions)		(in millions)	
FIXED ASSETS (Note 6)				
Fixed assets in service	\$11,044	\$10,936		
Less - Accumulated depreciation	2,440	2,228		
Unfinished construction	8,604	8,708		
	154	122		
	8,758	8,830		
CURRENT ASSETS				
Temporary investments	97	24		
Accounts receivable and unbilled revenues	314	334		
Materials and supplies	42	37		
Prepaid expenses	25	49		
Property held for sale	35	34		
	513	478		
UNAMORTIZED DEFERRED CHARGES				
Foreign currency translation	238	428		
Discount and issue costs	52	66		
	290	494		
	\$ 9,561	\$ 9,802		
LONG-TERM LIABILITIES				
Long-term debt (Note 7)	\$ 6,445	\$ 7,472		
Deferred liabilities	25	26		
	6,470	7,498		
CURRENT LIABILITIES				
Short-term borrowings (Note 8)	612	116		
Accounts payable	214	209		
Accrued interest	303	323		
Long-term debt payments due within one year (Note 7)	625	433		
	1,754	1,081		
UNAMORTIZED DEFERRED CREDITS				
Rate stabilization account (Note 4)	38	-		
Deferred revenue	21	6		
Contributions arising from Columbia River Treaty	341	350		
Contributions in aid of construction	342	327		
	742	683		
EARNINGS EMPLOYED IN THE BUSINESS				
	595	540		
	\$ 9,561	\$ 9,802		

APPROVED ON BEHALF OF THE BOARD:

L. I. (Larry) Bell, Chairman

Sandra D. Sutherland, Q.C., Director



BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED MARCH 31

	<u>1988</u>	<u>1987</u> (in millions)	<u>1986</u>
OPERATING ACTIVITIES			
Operating income (loss)	\$ 93	\$ (40)	\$ 13
Depreciation	237	233	213
Amortization of deferred charges	24	26	69
Working capital changes	24	(107)	153
Other	<u>(5)</u>	<u>(8)</u>	<u>14</u>
Funds provided by operating activities	<u>373</u>	<u>104</u>	<u>462</u>
FINANCING ACTIVITIES			
Net short-term borrowings	496	116	-
Long-term debt issues	9	344	87
Long-term debt retirements, net of related sinking funds	(570)	(357)	(87)
Other sinking fund changes	<u>(78)</u>	<u>(261)</u>	<u>(193)</u>
Funds used for financing activities	<u>(143)</u>	<u>(158)</u>	<u>(193)</u>
INVESTING ACTIVITIES			
Fixed asset expenditures	(195)	(187)	(224)
Contributions in aid of construction	30	27	34
Net proceeds from fixed asset retirements	<u>8</u>	<u>12</u>	<u>9</u>
Funds used for investing activities	<u>(157)</u>	<u>(148)</u>	<u>(181)</u>
INCREASE (DECREASE) IN FUNDS	73	(202)	88
FUNDS AT BEGINNING OF YEAR	<u>24</u>	<u>226</u>	<u>138</u>
FUNDS AT END OF YEAR	<u>\$ 97</u>	<u>\$ 24</u>	<u>\$226</u>

Funds consist of temporary investments.

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

(tabular amounts expressed in millions
of dollars unless otherwise stated)

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

British Columbia Hydro and Power Authority ("B. C. Hydro") is a Crown corporation of the Province of British Columbia (the "Province"). B. C. Hydro is regulated by the British Columbia Utilities Commission (the "Commission"). The accounting policies of the corporation conform to accounting principles generally accepted in Canada. A description of significant accounting policies follows. See Note 4 for an explanation of the rate stabilization account.

Revenues

Domestic revenues represent sales of energy to customers within the Province and sales of firm energy to those outside the Province (mainly Seattle and Point Roberts, Washington State and Hyder, Alaska) with whom B. C. Hydro has long-term commitments.

Export revenues are derived from energy sales made outside the Province other than those classified as domestic. These sales are surplus to B. C. Hydro's domestic energy requirements.

Customers are billed on a cyclical basis for energy deliveries with unbilled deliveries being accrued and included in revenues.

Fixed Assets

Fixed assets in service consist principally of land, water rights, storage dams, plant for the generation, transmission and distribution of electricity, the distribution of gas, and freight railway and rolling stock, and include the cost of plant financed by contributions in aid of construction and contributions arising from the Columbia River Treaty.

Fixed assets are carried at cost which includes materials, direct labour and appropriate portions of engineering, administration and finance charges.

Capital development studies and projects which are abandoned or subject to indefinite deferral are written off. Capital development studies for which work is deferred for more than one year are amortized on a straight-line basis at 20% per annum during the deferral period or until fully amortized. Capital projects which are deferred, but for which there is a reasonable probability of proceeding, have a provision made for any reduction in the value of project costs.

Depreciation

Depreciation is provided on all depreciable assets in service as at the beginning of each year based on the average service life of assets and is computed using the straight-line method.

Finance Charges Capitalized

B. C. Hydro capitalizes finance charges at rates equivalent to the cost of borrowing those funds expended on construction projects during each year of construction.

Temporary Investments

Temporary investments are valued at the lower of cost and market.

Materials and Supplies

Materials and supplies are valued at average cost, less provisions for declines in value.

Property Held For Sale

Property held for sale is valued at the lower of cost and net realizable value.

Foreign Currency Translation

Long-term debt, sinking funds, current assets and current liabilities denominated in a foreign currency are translated into Canadian currency at the rate of exchange prevailing at the balance sheet date. U. S. currency liabilities which are hedged are converted at the rate established by the terms of the hedge instrument.

Unrealized gains and losses arising from the translation of long-term debt and sinking funds are deferred and amortized over the remaining term of the debt. The annual amortization is determined by dividing the unamortized balance of the gains and losses by the sum of the remaining years, except that for the last four years the unamortized balance is written off on a straight line basis. Foreign exchange gains and losses on current assets and current liabilities are included in income.

Discount and Issue Costs

Discount and issue costs on long-term debt are amortized on a straight-line basis over the term of the respective debt.

Deferred Revenue

Deferred revenue consists primarily of amounts received under the Skagit River Agreements. These amounts are deferred and included in income on an annuity basis over the energy delivery period ending in fiscal 2066.

Contributions

Contributions in aid of construction are amounts received from certain customers to contribute toward the extension of services. These amounts are amortized over the estimated service lives of the related assets, and the annual amortization is equal to the corresponding provision for depreciation.

Contributions arising from the Columbia River Treaty are amortized over the period ending in fiscal 2025, the minimum term of the Treaty, and the annual amortization is equal to the corresponding provision for depreciation of the related assets.

Contributions received in respect of unfinished construction are included with deferred liabilities until the assets are placed in service.

Pension Costs

Pension expense comprises the actuarial costs of pension benefits for employee services for the year in accordance with the terms of the pension plan agreement and amortization of the initial net pension surplus and the cost of past service benefits and experience gains and losses. Amortization is on a straight-line basis over the expected average remaining service life of pension plan members. Pension fund investments are valued at a five-year average of market value.

NOTE 2 CHANGES IN ACCOUNTING POLICIES

1988

Effective April 1, 1987, B.C. Hydro adopted, on a prospective basis, the recommendations of the Canadian Institute of Chartered Accountants regarding pension costs and obligations. The effect of this change on net income for fiscal 1988 was not material.

1987

Effective April 1, 1986, B.C. Hydro retroactively changed its method of accounting for unrealized foreign exchange gains and losses on sinking funds to deferral and amortization from immediate recognition. Amounts for fiscal 1986 were restated accordingly.

NOTE 3 RATE ADJUSTMENTSElectric-Domestic

The Commission approved a rate increase of 1.875% effective June 13, 1985 and a further increase of 1.875% effective April 1, 1986. There have not been any rate increases since that time.

Mainland Gas

For each of the past three fiscal years, changes in the cost of gas purchased for resale have resulted in flow-through changes in gas rates for customers. Effective November 1, 1986 the Commission approved a 3.6% interim gas rate increase to compensate B.C. Hydro for increases in expenses other than purchased gas. Revenue derived from this increase was \$20 million to March 31, 1988 (of which \$7 million related to fiscal 1987) and is subject to refund with interest, in whole or in part, if so ordered by the Commission.

Percentage increases (decreases) in gas rates over the past three fiscal years are noted below:

<u>Effective Date</u>	<u>Firm Customers</u> %	<u>Interruptible Customers</u> %
<u>1988</u>		
January 14, 1988	3.9	2.1
December 7, 1987	(1.1)	1.5
May 1, 1987	(2.5)	(1.7)
<u>1987</u>		
January 15, 1987	.9	.5
November 1, 1986	(5.0)	(27.8)
<u>1986</u>		
August 1, 1985	3.6	0.6
June 1, 1985	0.9	(4.3)

NOTE 4 RATE STABILIZATION ACCOUNT

The Commission directed B.C. Hydro to create as of March 31, 1982, an account to be known as the rate stabilization account derived from export sales of surplus electric energy (exclusive of sales made under certain export contracts) less associated direct expenses. Directives over the past three years have resulted in the following transfers to and from the account:

	<u>Years ended March 31</u>		
	<u>1988</u>	<u>1987</u>	<u>1986</u>
Balance at beginning of year	\$ -	\$107	\$103
Transfer from income to the account	110	56	85
Transfer from the account to income	(72)	(163)	(81)
Net transfer to (from) the account	38	(107)	4
Balance at end of year	<u>\$ 38</u>	<u>\$ -</u>	<u>\$107</u>

Transfers to the Account

For fiscal 1988 and 1987 all revenues from export sales, less direct expenses, were transferred to the account. For fiscal 1986, only revenues from export sales in excess of \$130 million, less direct expenses, were transferred to the account.

Transfers from the Account

For fiscal 1988, 1987 and 1986, transfers from the account to income were limited to:

1988 - revenues from the first \$116 million of export sales, less direct expenses.

1987 - the amount required to reduce the account balance to nil.

1986 - \$81 million including \$21 million which was equivalent to an electric rate refund to domestic customers as directed by the Commission.

NOTE 5 EARLY RETIREMENT INCENTIVE PROGRAM

In fiscal 1988 B.C. Hydro offered an early retirement incentive program to all employees meeting certain criteria of age and service. This program was offered to enhance B.C. Hydro's flexibility in meeting its changing operating environment.

The program was accepted by approximately 70% of eligible employees and has resulted in a reduction of 10% in B.C. Hydro's workforce without lay-offs or terminations. As a result employee compensation for the year includes amounts for lump sum payments to retirees, payments to the pension plan for waivers of pension reductions normally arising on early retirement and estimated future indexing of these pension waivers.

NOTE 6 FIXED ASSETS

As At March 31

	1988				1987	
	Fixed Assets in Service		Unfinished Construction*	Total	Composite Depreciation Rate (%)	Composite Depreciation Rate (%)
	Original Cost	Accumulated Depreciation	Net Book Value			
Electric Service						
Generation and storage	\$ 4,985	\$ 823	\$ 4,162	\$ 113	\$ 4,275	\$ 4,328
Transmission	2,283	465	1,818	9	1,827	1,873
Transformation	1,270	345	925	12	937	966
Distribution	1,432	473	959	17	976	931
Buildings, furniture and equipment	272	119	153	1	154	173
Total Electric Service	10,242	2,225	8,017	152	8,169	8,271
Mainland Gas Service	542	114	428	-	428	414
Victoria Gas Service	20	6	14	-	14	14
Rail Service	47	22	25	-	25	28
Service Vehicles	55	39	16	-	16	20
Research and Development	40	6	34	-	34	34
Common Properties	98	28	70	2	72	49
TOTAL	\$11,044	\$ 2,440	\$ 8,604	\$ 154	\$ 8,758	\$ 8,830

* Unfinished construction includes \$92 million (1987 - \$94 million) in deferred capital projects mainly comprised of costs relating to Peace Site C and Murphy-Keenleyside.

NOTE 7 LONG-TERM DEBT

As At March 31	1988			1987		
	U.S. (*)	Cdn. (*)	Total	U.S. (*)	Cdn. (*)	Total
Maturing in:						
1988	\$ -	\$ -	\$ -	\$ 351(9.5)	\$ 113(5.8)	\$ 464
1989	427(13.4)	166(7.8)	593	436(13.4)	160(7.8)	596
1990	294(14.0)	290(10.3)	584	303(13.9)	299(10.1)	602
1991	36(9.5)	111(7.8)	147	37(9.5)	127(8.1)	164
1992	127(6.8)	249(7.1)	376	134(5.8)	265(8.5)	399
1993	281(12.6)	164(6.9)	445	-	-	-
1- 5 years	1,165(12.5)	980(8.2)	2,145	1,261(12.0)	964(8.4)	2,225
6-10 years	499(10.4)	791(8.2)	1,290	1,023(10.2)	865(7.5)	1,888
11-15 years	124(10.3)	1,121(9.7)	1,245	131(10.3)	804(9.7)	935
16-20 years	649(8.8)	1,099(11.2)	1,748	424(9.1)	1,566(10.7)	1,990
21-25 years	1,547(14.3)	151(13.5)	1,698	1,893(13.5)	150(13.5)	2,043
Total Long-term debt	3,984(12.3) (U.S.\$ 3,204)	4,142(9.6)	8,126	4,732(11.9) (U.S.\$ 3,624)	4,349(9.5)	9,081
Less:						
Sinking funds	382 (U.S.\$ 309)	674	1,056	446 (U.S.\$ 342)	730	1,176
	3,602	3,468	7,070	4,286	3,619	7,905
Less:						
Payments due within one year	434	191	625	301	132	433
Net Long-term debt	<u>\$3,168</u>	<u>\$3,277</u>	<u>\$6,445</u>	<u>\$3,985</u>	<u>\$3,487</u>	<u>\$7,472</u>
Issues Outstanding	21	124	145	33	135	168

* Weighted average coupon rate.

Guarantee by the Province of British Columbia

B. C. Hydro's short-term borrowings and long-term debt outstanding is either held, or guaranteed as to principal, interest and premium, if any, by the Province.

Sinking Funds

Sinking funds are held by the Trustee, the Minister of Finance and Corporate Relations for the Province. Nearly all debt series have annual sinking fund requirements. Sinking fund income is recorded as a reduction of finance charges.

Sinking fund changes in the year comprised:

	<u>1988</u>	<u>1987</u>	<u>1986</u>
Instalments	\$ 102	\$ 157	\$ 95
Income reinvested	99	104	98
Surpluses recovered	<u>(123)</u>	<u>-</u>	<u>-</u>
	78	261	193
Withdrawals - debt repayment	(75)	(159)	(61)
- debt extinguishment	(100)	-	-
Foreign exchange adjustments	<u>(23)</u>	<u>38</u>	<u>4</u>
Total sinking fund changes	<u>\$(120)</u>	<u>\$ 140</u>	<u>\$ 136</u>

Extinguished Debt

During the year B.C. Hydro purchased \$82 million of Province of British Columbia securities with monies from sinking funds related to ten long-term debt issues having principal outstanding of \$100 million. These securities were placed in an irrevocable trust with the Trustee and, as they provide sufficient funds to service and retire the debt, there is no requirement for future sinking fund instalments on these issues.

The accumulated sinking funds on these ten issues totalled \$124 million at the time of this transaction and, consequently, the Trustee released the remaining \$42 million in surplus funds, increasing working capital by that amount.

The ten long-term debt issues are considered extinguished for financial reporting purposes and, together with the related sinking funds, have been removed from B.C. Hydro's balance sheet. The gain arising from the difference between the \$100 million of extinguished debt and the \$82 million of securities purchased has been recorded as a reduction in finance charges (Note 9).

Cash Requirements

Total maturity payments and sinking fund instalments on long-term debt outstanding at March 31, 1988, by year of payment are highlighted in the following table. U.S. cash requirements are shown in millions of U.S. dollars.

	<u>Sinking Funds</u>		<u>Net Debt Maturities*</u>		<u>Total</u>	
	<u>U.S.</u>	<u>Cdn.</u>	<u>U.S.</u>	<u>Cdn.</u>	<u>U.S.</u>	<u>Cdn.</u>
1989	\$ 39	\$ 48	\$ 302	\$ 143	\$ 341	\$ 191
1990	35	45	194	282	229	327
1991	35	44	28	91	63	135
1992	32	43	53	184	85	227
1993	<u>28</u>	<u>42</u>	<u>135</u>	<u>112</u>	<u>163</u>	<u>154</u>
1989 - 1993	169	222	712	812	881	1,034
1994 - 1998	118	191	338	345	456	536
1999 - 2003	108	141	-	149	108	290
2004 - 2008	85	23	-	239	85	262
2009 - 2013	<u>47</u>	<u>3</u>	<u>191</u>	<u>22</u>	<u>238</u>	<u>25</u>
	<u>\$ 527</u>	<u>\$ 58</u>	<u>\$1,241</u>	<u>\$1,567</u>	<u>\$1,768</u>	<u>\$2,147</u>

* Net debt maturities are determined after deducting sinking funds estimated to be available at maturity. This estimate is based on assumed earnings of 8.4% on existing sinking fund investments and future sinking fund instalments.

Foreign Currency Exposure - Principal

At March 31, 1988 U.S. \$315 million of debt due within two years was hedged with forward exchange contracts having a weighted average exchange rate of 76.7 cents U.S. per Canadian dollar and U.S. \$309 million of debt was hedged by the purchase of U.S. dollar denominated securities for related sinking funds. As a result of these transactions, debt repayments, and the refinancing of U.S. debt to Canadian debt, B.C. Hydro has reduced its foreign currency exposure related to U.S. long-term debt by U.S.\$702 million to U.S. \$2,580 million. The March 31, 1988 foreign exchange rate used by B.C. Hydro was 80.83 U.S. cents per Canadian dollar.

Redemption Provisions

Certain B. C. Hydro debt held by the Canada Pension Plan Investment Fund and by the Minister of Finance and Corporate Relations of the Province contains provisions allowing holders to redeem the debt prior to maturity, in whole or in part, subject to certain restrictions. At March 31, 1988 this debt amounted to \$752 million (1987 \$836 million) net of sinking funds.

NOTE 8 SHORT-TERM BORROWINGS

Short-term borrowings are at prevailing money market rates and averaged 8.7% at March 31, 1988 (1987 - 8.0%).

NOTE 9 FINANCE CHARGES

	Years ended March 31		
	<u>1988</u>	<u>1987</u>	<u>1986</u>
Interest on long-term debt	\$ 954	\$ 988	\$1,017
Interest on short-term borrowings	15	8	-
Amortization of foreign exchange gains and losses	10	11	54
Amortization of discount and issue costs	14	15	15
Other	<u>2</u>	<u>1</u>	<u>4</u>
	<u>995</u>	<u>1,023</u>	<u>1,090</u>
Less: Income from sinking fund investments	98	104	98
Income from temporary investments	1	6	15
Gain on extinguished debt	<u>18</u>	<u>-</u>	<u>-</u>
	<u>117</u>	<u>110</u>	<u>113</u>
	878	913	977
Less: Finance charges capitalized	<u>3</u>	<u>7</u>	<u>51</u>
	<u>\$ 875</u>	<u>\$ 906</u>	<u>\$ 926</u>

The effective rate for finance charges capitalized to unfinished construction for fiscal 1988 was 9.2% (1987 - 10.6%; 1986 - 12.8%).

NOTE 10 PENSION PLANS

Employees of B. C. Hydro contribute to jointly-funded pension plans which specify the pensions payable upon retirement based on a percentage of earnings for designated years of service (contributory benefit-based plans). A portion of the contribution is to provide for annual cost-of-living increases (indexing).

Both the basic contribution and the indexing contribution are matched by B. C. Hydro. In addition, B. C. Hydro is contributing annual amounts to fund past service pension costs and accrued deficits which arose in prior years from plan amendments and changes in actuarial assumptions.

Annual actuarial valuations are obtained to determine the amount required in today's dollars to fund the pension benefits which have accrued to date (present value of accrued pension benefits). This is compared with the average market-related value of the pension fund assets to determine whether a net pension surplus or deficit exists. A preliminary actuarial report update dated April 25, 1988 estimated the present value of the accrued pension benefits to be \$725 million as at December 31, 1987 and the pension plan assets available for these benefits at \$740 million.

NOTE 11 COMPARATIVE FIGURES

Certain of the 1987 and 1986 comparative figures have been reclassified to conform with the current year's presentation.

NOTE 12 EXTRAORDINARY ITEMS

In fiscal 1987, expenditures of \$29 million relating to the Vancouver Island gas pipeline project were written off, and property purchased for a new B.C. Hydro head office building was written down by \$13 million to appraised value.

NOTE 13 SEGMENT INFORMATION

B.C. Hydro is engaged in the operation of three principal services: generation, transmission and distribution of electricity; distribution of gas; and provision of a rail service.

Most expenses are directly attributable to specific services and common expenses are allocated. The allocation method used generally follows the full absorption approach whereby all costs are allocated amongst services. Export expenses include only direct costs, namely energy purchases, including transmission charges, and water rentals. This segment information does not consider the costs that may be incurred if each service were a separate legal entity. In this instance the costs incurred by each service would be different.

Identifiable assets are those assets that are used in each service's operations. Corporate assets are principally temporary investments and unamortized deferred charges.

Note 13 Segment Information (Continued)

	ELECTRIC			GAS			RAIL			COMBINED		
	1988	1987	1986	1988	1987	1986	1988	1987	1986	1988	1987	1986
Revenues	\$1,718	\$1,579	\$1,647	\$ 370	\$ 385	\$ 423	\$ 22	\$ 23	\$ 24	\$2,110	\$1,987	\$ 2,094
Expenses:												
Employee compensation	195	164	180	41	35	35	11	9	11	247	208	226
Materials and services	56	55	56	11	9	9	4	6	2	71	70	67
Energy purchases	52	29	48	229	251	280	-	-	-	281	280	328
Taxes	296	319	309	9	10	10	1	1	2	306	330	321
Depreciation	218	214	198	17	17	13	2	2	2	237	233	213
Total expenses	817	781	791	307	322	347	18	18	17	1,142	1,121	1,155
Operating income before finance charges	901	798	856	63	63	76	4	5	7	968	866	939
Finance charges	827	854	874	46	49	50	2	3	2	875	906	926
Operating income (loss)	74	(56)	(18)	17	14	26	2	2	5	93	(40)	13
Transfer to rate stabilization account	(110)	(56)	(85)	-	-	-	-	-	-	(110)	(56)	(85)
Transfer from rate stabilization account	72	163	81	-	-	-	-	-	-	72	163	81
Income (loss) before extraordinary items	\$ 36	\$ 51	\$ (22)	\$ 17	\$ 14	\$ 26	\$ 2	\$ 2	\$ 5	\$ 55	\$ 67	\$ 9
Identifiable assets	\$8,453	\$8,609	\$8,686	\$ 520	\$ 496	\$ 530	\$ 44	\$ 46	\$ 47	\$9,017	\$9,151	\$9,263
Corporate assets										544	651	1,194
Total assets										\$9,561	\$9,802	\$10,457
Expenditures on fixed assets	\$ 163	\$ 157	\$ 195	\$ 31	\$ 29	\$ 28	\$ 1	\$ 1	\$ 1	\$ 195	\$ 187	\$ 224

NOTE 14 SALE OF BUSINESSES

On October 23, 1987 the Province announced a plan to sell certain businesses of B.C. Hydro which included the Mainland and Victoria gas services, the rail service and the research and development division. B.C. Hydro has issued Information Memoranda to prospective purchasers detailing the manner of disposal, and negotiations are in process for the sale of these businesses. Any gain or loss which may arise on the disposal of these businesses is not determinable at this time.

Segmented income statements which include the Mainland and Victoria gas services and the rail service are provided in Note 13. The total costs associated with the research and development division of \$15 million in fiscal 1988 were allocated to other divisions. The segmented information is prepared on the basis of the existing cost allocation system at B.C. Hydro. The costs disclosed in the segments to be sold are not therefore necessarily indicative of cost savings to be realized by B.C. Hydro subsequent to the sale of these businesses.

Funds provided by these businesses totalled \$6 million in fiscal 1988 comprised of \$38 million from operating activities less net fixed asset expenditures of \$32 million.

The net book value of identifiable assets and identifiable current liabilities of the businesses to be sold are as follows:

	<u>Mainland Gas Service</u>	<u>Victoria Gas Service</u>	<u>Rail</u>	<u>Research and Development</u>	<u>Total</u>
As at March 31, 1988					
Fixed Assets	\$543	\$ 19	\$ 47	\$ 41	\$650
Less: Accumulated depreciation	<u>114</u>	<u>6</u>	<u>22</u>	<u>7</u>	<u>149</u>
	<u>429</u>	<u>13</u>	<u>25</u>	<u>34</u>	<u>501</u>
Current Assets	77	1	19	1	98
Less: Current Liabilities	<u>52</u>	<u>1</u>	<u>29</u>	<u>3</u>	<u>85</u>
	<u>25</u>	<u>-</u>	<u>(10)</u>	<u>(2)</u>	<u>13</u>
Net Assets	<u>\$454</u>	<u>\$ 13</u>	<u>\$ 15</u>	<u>\$ 32</u>	<u>\$514</u>

Upon the sales of these businesses the actual assets to be transferred, and the net values assigned thereto, will differ from the above based on the final scope of the sales agreements.

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of
British Columbia Institute of Technology, and

To the Minister of Advanced Education and Job Training,
Province of British Columbia:

I have examined the balance sheet of British Columbia Institute of Technology as at March 31, 1988, the statement of revenue and expenditure and changes in fund balances, and the statements of revenue and of expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Institute as at March 31, 1988 and the results of its operations and the changes in its fund balances for the year then ended in accordance with accounting principles described in note 2 to the financial statements applied, except for the changes in the method of accounting for vacation pay and professional development liabilities as explained in note 3 to the financial statements, on a basis consistent with that of the preceding year.

A handwritten signature in dark ink, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 10, 1988

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

BALANCE SHEET

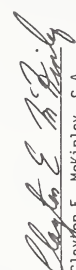
as at March 31, 1988

(thousands of dollars)

	Operating Fund	Special Purpose Fund	Ancillary Services Fund	Capital Fund	Trust Funds	Total	1987 Total
ASSETS							
Cash and Term Deposits	\$4,507	\$ 259	\$ -	\$ -	\$ 931	\$ 5,697	\$ 8,038
Funds Held in Trust (Note 4)	-	-	-	3,602	-	3,602	-
Accounts Receivable - Province of British Columbia	183	-	-	-	-	183	368
- Other	1,213	-	-	-	-	1,213	1,457
Loans Receivable	-	18	-	-	-	18	32
Inventories (Note 5)	408	-	-	-	-	408	780
Prepaid Expenses	325	-	471	-	-	796	170
Bonds - at cost (Note 6)	-	-	-	-	291	291	291
Investment in Teaching Facilities at Associated Hospital (Note 7)	-	-	-	1,113	-	1,113	1,144
Land, Buildings and Equipment (Note 8)	-	-	-	68,454	-	68,454	64,679
Interfund Advances	(1,090)	2,537	(471)	(796)	(180)	-	-
	\$5,546	\$2,814	\$ -	\$72,373	\$1,042	\$81,775	\$76,959
	=====	=====	=====	=====	=====	=====	=====
LIABILITIES, EQUITY AND FUND BALANCES							
Accounts Payable and Accrued Liabilities	\$4,343	\$ -	\$ -	\$ -	\$ -	\$ 4,343	\$ 6,646
Deferred Revenue	2,065	-	-	-	-	2,065	2,152
Short-term Borrowings (Note 9)	-	-	-	2,690	-	2,690	5,449
Long-term Debt (Note 10)	-	-	-	21,461	-	21,461	18,963
Mortgage Payable (Note 11)	-	-	-	2,481	-	2,481	2,486
Equity in Land, Buildings and Equipment (Note 12)	-	-	-	43,117	-	43,117	39,097
Fund Balances	(862)	2,814	-	2,624	1,042	5,618	2,166
	\$5,546	\$2,814	\$ -	\$72,373	\$1,042	\$81,775	\$76,959
	=====	=====	=====	=====	=====	=====	=====

Approved


F. Sondergaard
Chairman, Board of Governors


Clayton E. McKinley, C.A.
Executive Director, Finance

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

STATEMENT OF REVENUE AND EXPENDITURE AND CHANGES IN FUND BALANCES

for the year ended March 31, 1988

(thousands of dollars)

	Operating Fund	Special Purpose Fund	Ancillary Services Fund	Capital Fund	Trust Funds	Total	1987 Total
Revenue	\$72,390	\$2,893	\$3,832	\$7,836	\$ 533	\$87,484	\$87,270
Expenditure	72,617	2,243	3,578	8,862	334	87,634	86,444
Excess (Deficiency) of Revenue over Expenditure	(227)	650	254	(1,026)	199	(150)	826
Extraordinary Item (Note 4)	-	-	-	3,602	-	3,602	-
Fund Balances Beginning of Year	(1,765)	2,401	-	672	858	2,166	1,340
Interfund Transfers (Note 13)	1,130	(237)	(254)	(624)	(15)	-	-
Fund Balances, End of Year	\$ (862)	\$2,814	\$ -	\$2,624	\$1,042	\$ 5,618	\$ 2,166

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

STATEMENT OF REVENUE

for the year ended March 31, 1988

(thousands of dollars)

REVENUE	(thousands of dollars)					1987 Total
	Operating Fund	Special Purpose Fund	Ancillary Services Fund	Capital Fund	Trust Funds	Total
Province of British Columbia Grants						
Operating	\$54,997	\$1,408	\$ -	\$ -	\$ -	\$56,405
Debt Service	-	-	-	768	-	768
Capital	-	-	-	2,109	-	2,109
Debt Service Payment	-	-	-	3,320	-	3,320
Tuition Fees	12,247	211	-	-	-	12,458
Gifts and Donations	-	135	-	-	379	514
Sales and Rentals						
Bookstore	-	-	2,057	-	-	2,057
Campus Food Services	-	-	799	-	-	799
Residences	-	-	976	-	-	976
Investment Income	406	19	-	239	100	764
Recoveries (Note 3)						
Food Training Supplies	2,169	-	-	-	-	2,169
Industry Services	628	542	-	-	-	1,170
Miscellaneous	1,527	375	-	-	-	1,902
Other Income	416	203	-	175	54	848
Capital Funding (Note 2a)	-	-	-	1,225	-	1,225
TOTAL	\$72,390	\$2,893	\$3,832	\$7,836	\$533	\$87,484
	=====	=====	=====	=====	=====	=====
						\$87,270
						=====

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

STATEMENT OF EXPENDITURE

for the year ended March 31, 1988

(thousands of dollars)

	Operating Fund	Special Purpose Fund	Ancillary Services Fund	Capital Fund	Trust Funds	Total	1987 Total
EXPENDITURE							
Salaries and Wages	\$48,588	\$1,231	\$ 881	\$ -	\$ 31	\$50,731	\$48,132
Employee Benefits	6,387	107	125	-	1	6,620	6,322
Interest and Bank Charges	156	-	346	136	2	640	734
Insurance	34	1	-	-	-	35	57
Postage and Delivery	324	3	11	-	-	338	338
Printing and Advertising	893	26	90	-	1	1,010	760
Professional Fees	460	11	-	18	-	489	462
Rentals and Maintenance							
Facilities	813	1	13	28	6	861	898
Equipment	2,621	177	15	5	-	2,818	3,420
Supplies and Contract Services	8,830	126	189	115	9	9,269	8,552
Travel and Training (Note 3)	646	94	5	-	1	746	726
Utilities and Communications	2,212	15	117	-	-	2,344	2,265
Cost of Sales	-	-	1,768	-	-	1,768	1,730
Buildings and Improvements	-	-	-	1,090	-	1,090	3,686
Debture Payments	-	-	-	3,559	-	3,559	3,280
Expendable Equipment	223	41	-	12	-	276	47
Loan Repayments	-	100	5	633	-	738	1,255
Major Equipment	-	-	-	3,248	-	3,248	2,442
Student Awards	48	7	-	-	281	336	296
Other Expenditures	362	303	13	18	2	718	1,022
TOTAL	\$72,617	\$2,243	\$3,578	\$8,862	\$334	\$87,634	\$86,444

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTSfor the year ended March 31, 19881. The Institute

The British Columbia Institute of Technology is an agent of the Crown and operates under the Institute of Technology Act, R.S.B.C. 1979. The Act is administered by the Minister of Advanced Education and Job Training.

The purpose of the Institute is to provide courses of instruction in technological and vocational fields.

The Institute receives a substantial percentage of its revenues from the Province of British Columbia. The Institute also enters into transactions with the Province of British Columbia and certain Crown corporations, predominantly under prevailing trade terms.

2. Significant Accounting Policies

a) General

These financial statements have been prepared in accordance with the basis of accounting that is appropriate considering the nature and purpose of the Institute. The Institute has adopted the following accounting policies:-

- i) Fund accounting procedures are followed.
- ii) Land, buildings and equipment expenditures are recorded on the Statement of Expenditure in the year in which they are incurred. These expenditures represent capital assets, which are recorded at cost on the Balance Sheet. Equity in land, buildings and equipment is recorded as funds are expended to acquire these assets or to repay loans incurred for such transactions.
- iii) Capital lease payments are recorded as expenditures when made. Capital leases are not recorded as assets.
- iv) No provision is made for depreciation on buildings and equipment.
- v) Accrual basis of accounting is followed except that sick leave credits, vacation pay and retirement benefits are not accrued. Also, no provision is made for accrued interest on long-term debt.
- vi) Debenture and mortgage principal payments are recorded as expenditures when made.
- vii) Books and periodicals for the library are charged as an expense in the year acquired.
- viii) Capital funding represents funding obtained during the year under various Capital Project Certificates approved by the Province of British Columbia. This funding is used to finance the acquisition of certain capital assets.

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGYNOTES TO FINANCIAL STATEMENTSfor the year ended March 31, 19882. Significant Accounting Policies (Continued)b) Fund Accounting

Available resources and their related expenditures are accounted for in separate funds in accordance with objectives specified by donors, limitations and restrictions imposed by sources outside the Institute, and determinations made by the Board of Governors. In the financial statements, funds with similar characteristics have been combined into major fund divisions which are described below:

- i) Operating - revenue and expenditure relating to the general operation of the Institute, including courses which are specifically approved and specially funded by the Province of British Columbia.
- ii) Special Purpose - revenue and expenditure relating to specific projects which are undertaken by the Institute and specially funded by donors, governments or appropriations from the Operating Fund.
- iii) Ancillary Services - revenue and expenditure relating to the Bookstore, Campus Food Services and Residence operations. Ancillary Services are only charged direct operating costs.
- iv) Capital - revenue and expenditure applicable to the acquisition of capital assets and the servicing of related debt.
- v) Trust - revenue and expenditure authorized and directed under trust arrangements or donated for the provision of student financial assistance and for acquisition of equipment.

3. Changes in Accounting Policies

Effective April 1, 1987, the Institute changed its method of accounting from accruing vacation pay and professional development liabilities to recording them as expenditures as they are paid. The revised method conforms with the accounting practices followed by other institutes and colleges in the Province of British Columbia. The effect of these changes, which have been applied prospectively, are as follows:

- i) Revenue (Recoveries - Miscellaneous) has increased by \$725,482, and
- ii) Expenditure (Travel and Training) has decreased by \$227,367.

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGYNOTES TO FINANCIAL STATEMENTSfor the year ended March 31, 19884. Funds Held in Trust

The Redford House Student Residence was sold for \$3,400,000 during the year. The sale proceeds and interest earned thereon are held in trust, and may be released to the Institute subject to the express written approval by the Minister of Finance and Corporate Relations and the Minister of Advanced Education and Job Training. During the year, a release of \$1,500,000 was approved from the trust account to reduce the Institute's accumulated operating deficit as at March 31, 1987.

5. Inventories

Inventories are recorded at the lower of cost and net realizable value.

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	
Operating Fund		
General Supplies	\$308	\$225
Food Supplies	100	92
Ancillary Services Fund		
Bookstore	<u>471</u>	<u>463</u>
	\$879	\$780
	=====	=====

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1988

6. Bonds

Interest is earned at 11-3/4% per annum on the principal amount of \$310,000 (market value \$348,750; 1987 - \$378,200). These bonds mature February 1, 2003.

7. Investment in Teaching Facilities at Associated Hospital

The investment represents advances made by the Institute for the construction of teaching facilities at St. Paul's Hospital. As the Institute has no legal title to these facilities, this amount is amortized by an amount equal to the annual sinking fund expenditure to retire the related debenture payable.

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	
Advances	\$ 1,201	\$1,201
Accumulated Amortization	<u>88</u>	<u>57</u>
	\$ 1,113	\$ 1,144
	=====	=====

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGYNOTES TO FINANCIAL STATEMENTSfor the year ended March 31, 19888. Land, Buildings and Equipment

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	(thousands of dollars)
Land and Buildings	\$42,226	\$40,993
Equipment	<u>26,228</u>	<u>23,686</u>
	\$68,454	\$64,679
	=====	=====

A Crown Grant of campus lands and premises made to the Institute by the Province of British Columbia is included in land and buildings at the nominal value of \$1.

Equipment includes donated and transferred items which are recorded at the nominal value of \$1.

9. Short-Term Borrowings

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	(thousands of dollars)

The bank loan is payable on demand and is to be repaid out of future rental income from student residences. This loan is secured by a term deposit of the same amount.

	\$1,300	\$1,400
--	---------	---------

Other bank borrowings under Capital Project Certificates of Approval are to be repaid out of proceeds from debenture issues or by grants from the Province of British Columbia. The Province guarantees the payment of principal and interest owing.

	1,390	4,049
--	-------	-------

	\$2,690	\$5,449
	=====	=====

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1998

10. Long-Term Debt

Long-term debt consists of debentures issued to the British Columbia Educational Institutions Capital Financing Authority. The proceeds from the debentures are used to retire short-term borrowings.

Terms and amounts are as follows:

Certificate Number	Maturity Date	Rate	Principal	Accumulated Sinking Fund (thousands of dollars)	Balance March 31	Annual Payments
AB2	June 20, 1993	11.75%	\$ 602	\$ 209	\$ 393	\$ 112
AB6	June 20, 1993	11.75%	371	129	242	69
GG7	Nov. 09, 1999	10.68%	1,200	362	838	158
GG11	June 10, 2000	12.01%	1,000	257	743	145
GG14	Oct. 10, 2000	12.50%	2,000	496	1,504	299
GG26	Mar. 10, 2002	16.10%	1,926	329	1,597	352
GG28	May 10, 2002	15.25%	1,948	286	1,662	340
GG38	May 02, 2003	11.53%	2,496	278	2,218	342
GG40	July 04, 2003	11.37%	4,000	438	3,562	542
GG50	Nov. 02, 2004	12.98%	1,500	112	1,388	227
GG51	Jan. 04, 2005	12.08%	3,100	228	2,872	442
GG55	Aug. 08, 2006	9.50%	1,210	28	1,182	141
GG57	May 08, 2007	9.13%	2,800	-	2,800	317
GG58	July 10, 2007	9.83%	460	-	460	55
			\$24,613	\$3,152	\$21,461	\$3,541
			=====	=====	=====	=====

Annual payments include interest and sinking fund installments and are to be paid to the British Columbia Educational Institutions Capital Financing Authority from grants received from the Province of British Columbia. The sinking fund installments are held and invested by the Authority to provide for the retirement of the debt. The debentures can be recalled by the Chairman of the British Columbia Educational Institutions Capital Financing Authority by giving not less than five (5) months' notice in writing.

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on the debentures.

NOTES TO FINANCIAL STATEMENTSfor the year ended March 31, 198811. Mortgage Payable

A certain portion of the student residences is financed by a 9-1/2% fixed rate mortgage, repayable at \$19,721 (principal and interest) per month for the remaining term of the mortgage maturing August, 2027. The mortgage is secured by a charge against that portion of the residences.

12. Equity in Land, Buildings and Equipment

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	
Balance, Beginning of Year	\$39,097	\$35,711
Acquisitions for Year	3,180	2,284
Repayment of Capital Borrowings	1,469	1,917
Disposals	<u>(629)</u>	<u>(815)</u>
Balance, End of Year	\$43,117	\$39,097
	=====	=====

13. Interfund Transfers

Interfund transfers consist of the following:

	<u>Operating Fund</u>	<u>Special Purpose Fund</u>	<u>Ancillary Services Fund</u>	<u>Capital Fund</u>	<u>Trust Funds</u>
	(thousands of dollars)				
Capital Equipment Purchases	\$ (772)	\$ (149)	\$ -	\$ 921	\$ -
Appropriations	239	(179)	-	(45)	(15)
Transfer of Proceeds from Sale of Redford House Residence	1,500	-	-	(1,500)	-
Ancillary Profit Transfers	<u>163</u>	<u>91</u>	<u>(254)</u>	<u>-</u>	<u>-</u>
	\$1,130	\$(237)	\$(254)	\$(624)	\$(15)
	=====	=====	=====	=====	=====

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGYNOTES TO FINANCIAL STATEMENTSfor the year ended March 31, 198814. Student Aid Endowment Fund

The Institute has an endowment fund of \$460,000 (1987 - \$460,000) with the Vancouver Foundation. This fund is a permanent fund with the Foundation which provides income for scholarships, bursaries and other student aid at the Institute. The fund is not under Institute ownership or control. The Institute had recorded its contributions to the fund as expenditures.

The Institute received amounts totalling \$41,480 (1987 - \$38,625) as income from the fund during the year.

15. Contingencies

The Institute has guaranteed the repayment of an operating line of credit, to an amount of \$300,000 (1987 - \$400,000), for the Student Association of the British Columbia Institute of Technology.

16. Comparative Figures

Certain 1987 figures have been restated to conform with the presentation adopted for the current year. These restatements have no effect on Fund Balances.

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

BALANCE SHEET AS AT MARCH 31, 1988

(unaudited)

ASSETS

	<u>1988</u>	<u>1987</u>
CURRENT ASSETS		
Cash	\$ 6,658,375	\$ 6,248,352
Accounts receivable	2,473,111	2,611,751
Inventories	<u>58,985,578</u>	<u>52,732,360</u>
	<u>68,117,064</u>	<u>61,592,463</u>
FIXED ASSETS, at cost (note 3)	38,452,907	37,880,644
Less accumulated depreciation	<u>28,970,397</u>	<u>26,654,475</u>
	<u>9,482,510</u>	<u>11,226,169</u>
	<u>\$ 77,599,574</u>	<u>\$ 72,818,632</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 51,952,570	\$ 44,580,318
--	---------------	---------------

PROVINCE OF BRITISH COLUMBIA

Advance	<u>25,647,004</u>	<u>28,238,314</u>
	<u>\$ 77,599,574</u>	<u>\$ 72,818,632</u>

Commitments and Contingencies (notes 5 & 6)

The accompanying notes and Schedule 1 are an integral part of these financial statements.

Approved By:



General Manager



Director of Finance

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31, 1988

(unaudited)

	<u>1988</u>	<u>1987</u>
SALES (note 4)	\$ 970,132,746	\$ 964,427,193
COST OF MERCHANDISE SOLD	<u>512,459,978</u>	<u>508,269,514</u>
	457,672,768	456,157,679
PROVINCIAL MALT LEVY (note 4)	<u>90,019,176</u>	<u>81,569,003</u>
	547,691,944	537,726,682
OPERATING EXPENSES (Schedule 1)	<u>128,096,009</u>	<u>115,312,688</u>
	419,595,935	422,413,994
OTHER INCOME	<u>3,700,329</u>	<u>2,919,892</u>
NET INCOME	<u>\$ 423,296,264</u>	<u>\$ 425,333,886</u>

STATEMENT OF CHANGES IN PROVINCE OF BRITISH COLUMBIA ADVANCEFOR THE YEAR ENDED MARCH 31, 1987

	<u>1988</u>	<u>1987</u>
Balance at beginning of year	\$ 28,238,314	\$ 17,491,520
Net Income	423,296,264	425,333,886
Cash payments to Provincial Treasury	<u>(425,887,574)</u>	<u>(414,587,092)</u>
BALANCE AT END OF YEAR	<u>\$ 25,647,004</u>	<u>\$ 28,238,314</u>

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

STATEMENT OF CHANGES IN FINANCIAL POSITIONFOR THE YEAR ENDED MARCH 31, 1988

(unaudited)

	<u>1988</u>	<u>1987</u>
CASH PROVIDED BY OPERATIONS		
Net Income	\$423,296,264	\$425,333,886
Amounts charged against income not requiring an outlay of cash:		
Depreciation	2,969,293	2,801,108
Gain on disposal of fixed assets	(228,273)	(145,449)
Decrease (Increase) in accounts receivable	138,640	1,707,526
(Increase) in inventory	(6,253,218)	(6,170,053)
(Decrease) Increase in accounts payable	<u>7,372,252</u>	<u>(251,632)</u>
	427,294,958	423,275,386
CASH PAYMENTS TO PROVINCIAL TREASURY	<u>(425,887,574)</u>	<u>(414,587,092)</u>
	<u>\$ 1,407,384</u>	<u>\$ 8,688,294)</u>
CASH USED FOR INVESTMENT IN FIXED ASSETS		
Acquisition of fixed assets	\$ (1,243,417)	\$ (3,351,655)
Proceeds on Disposal	<u>246,056</u>	<u>148,818</u>
	<u>(997,361)</u>	<u>(3,202,837)</u>
INCREASE (DECREASE) IN CASH	410,023	5,485,457
CASH AT BEGINNING OF YEAR	<u>6,248,352</u>	<u>762,895</u>
CASH AT END OF YEAR	<u>\$ 6,658,375</u>	<u>\$ 6,248,352</u>

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

NOTES TO FINANCIAL STATEMENTSFOR THE YEAR ENDED MARCH 31, 1988

(unaudited)

1. STATUS OF THE BRANCH

The Liquor Distribution Branch obtains its authority for operation from the Liquor Distribution Act which was administered by the Ministry of Finance and Corporate Relations, until July 31, 1987. On this date, the responsibility for the Liquor Distribution Branch was transferred to the Ministry of Labour and Consumer Services. As stated in Section 2 of this Act, the Branch has the sole right to purchase both in and out of the Province liquor for resale and reuse in the Province in accordance with the provisions of the Importation of Intoxicating Liquors Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

As prescribed by Section 18 of the Liquor Distribution Act, the financial statements of the Branch are prepared in accordance with generally accepted accounting principles.

The financial transactions of the Branch, after adjustments for differences in accounting policies from those of the Government, are included in the Combined Financial Statements of the Government of the Province of British Columbia.

Significant accounting policies followed in the preparation of these financial statements are:

a) Inventories are valued at the latest landed cost.

b) Fixed assets are depreciated on a straight line basis as follows:

Buildings	- 7 1/2% per annum
Leasehold Improvements	- a minimum of 10% per annum or a rate sufficient to write off the cost over the remaining life of the respective lease.
Furniture, Fixtures, Vehicles & Equipment	- 25% per annum.

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

NOTES TO FINANCIAL STATEMENTSFOR THE YEAR ENDED MARCH 31, 1988

3. <u>FIXED ASSETS</u>	(unaudited)			
	1988		1987	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 1,121,657	\$ -	\$ 1,122,057	\$ -
Buildings	11,208,643	7,759,281	11,268,653	7,265,660
Leasehold Improvements	4,640,248	3,536,657	4,640,248	3,064,478
Furniture, Fixtures, Vehicles & Equipment	<u>21,482,359</u>	<u>17,674,459</u>	<u>20,849,686</u>	<u>16,324,337</u>
	38,452,907	28,970,397	37,880,644	26,654,475
NET BOOK VALUE	\$ 9,482,510		\$ 11,226,169	

4. SALES

The Branch is responsible for sales of liquor in the Province. The majority of liquor is sold by the Branch itself; however, the Branch has authorized manufacturers in certain situations to sell directly to licensees and consumers. Total sales of liquor are as follows:

	1988	1987
Total Branch sales	\$ 970,132,746	\$ 964,427,193
Less non-alcoholic products	<u>582,589</u>	<u>653,521</u>
	\$ 969,550,157	\$ 963,773,672
Other authorized sales not included in these financial statements:		
Direct deliveries to licensees by brewers' agent	182,593,031	197,815,762
Direct deliveries to licensee retail stores by brewers' agent	62,771,589	20,432,422
Direct deliveries to agency stores by brewers' agent	7,856,267	5,305,320
Brew pubs	266,948	279,977
Estate wineries	<u>2,462,194</u>	<u>2,131,111</u>
	255,950,029	225,964,592
TOTAL SALES OF LIQUOR IN THE PROVINCE	\$1,225,500,186	\$1,189,738,264

The Branch has authorized the brewers' agent to sell directly to licensees, licensee retail stores and agency stores. The Branch has also authorized brew pubs to manufacture and sell directly to the public. The Provincial Malt Levy reported on the income statement represents the margin on these sales.

The Branch has agreements with estate wineries which allow them to sell directly to the public, licensed establishments and licensee retail stores. Proceeds from the estate winery on-site sales accrue solely to the estate winery operator, while the Branch receives 5% of retail value of off-site estate winery agency store sales. The 5% remitted to the Branch is included in the income statement as other income.

Total sales of liquor in the Province do not include subsequent resale by licensed establishments, licensee retail stores and agency stores.

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

NOTES TO FINANCIAL STATEMENTSFOR THE YEAR ENDED MARCH 31, 1988

(unaudited)

5. COMMITMENTS

a) Federal Taxes

The Branch maintains inventory in its bonded warehouse for which federal taxes have neither been paid nor recorded in these financial statements. As at March 31, 1988, the future liability for these taxes approximates \$8,000,000. These taxes are payable when inventory is shipped from the bonded warehouse.

b) Lease Premises

Total commitments as at March 31, 1988 for lease of premises are as follows:

Year ended March 31, 1989	\$ 8,565,000
1990	7,770,000
1991	6,726,000
1992	5,455,000
1993	4,396,000
Subsequent years	<u>15,390,000</u>
TOTAL	<u>\$48,302,000</u>

6. CONTINGENCIES

Agents' Stocking Program

The Branch has authorized suppliers' agents to import and warehouse liquor for subsequent resale to the Branch. Under this arrangement, the Branch has a contractual obligation to purchase all inventories held by the agent should he opt out of the program. As at March 31, 1988, the value of agents' inventories totals approximately \$25,000,000 and the future liability for federal taxes thereon is \$14,000,000.

7. SUPERANNUATION FUND

The Liquor Distribution Branch is an approved employer under the Pension (Public Service) Act. Eligible employees of the Branch contribute to the Public Service Superannuation Fund at a rate of 4.25% of pensionable salary up to the year's maximum pensionable earnings as defined in the Canada Pension Plan and at a rate of 5.75% of pensionable salary in excess of the year's maximum pensionable earnings. An additional 1.25% of pensionable salary is deducted and used to finance the payment of inflation adjustment supplements. In addition to matching the employees' contributions, the Branch contributes an additional 2.5% of pensionable salary for basic pension benefits.

An actuarial evaluation of the Public Service Superannuation Fund was made at March 31, 1984. Details of the unfunded liability are described in the Public Service Superannuation Fund financial statements included in the Public Accounts. The portion of the unfunded liability attributable to the Liquor Distribution Branch was not determined by the actuary.

8. COMPARATIVE FIGURES

Certain comparative figures for the previous year have been reclassified to conform with the March 31, 1988 financial statement presentation.

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH
 OPERATING EXPENSES FOR THE YEAR ENDED MARCH 31, 1988

Schedule 1

(unaudited)

	Warehouse	Retail Store	Administration	1988 Total	1987 Total
Salaries and Wages	4,993,496	50,904,246	12,450,319	68,348,061	\$ 64,576,908
Superannuation	349,534	3,546,119	855,833	4,751,486	4,579,073
Unemployment Insurance	134,924	1,368,846	330,362	1,834,132	1,763,890
Dental and Extended Health	93,642	950,030	229,284	1,272,956	1,189,939
Canada Pension	78,742	798,857	192,799	1,070,398	1,007,085
Workers' Compensation Board	65,035	659,799	159,238	884,072	861,065
B.C. Medical	60,709	615,914	148,647	825,270	758,777
Long Term Disability	31,892	323,554	78,088	433,534	430,168
Group Insurance	17,452	177,052	42,731	237,235	238,241
Staff Benefits	1,159	14,068	44,536	59,763	80,708
Commissions	-	4,125,258	8,380,693	12,505,951	5,842,828
Rents	188,695	10,584,682	270,006	11,043,383	9,867,935
Data Processing	-	-	5,499,946	5,499,946	4,851,423
Freight to Stores	-	3,555,489	-	3,555,489	3,669,285
Depreciation	473,326	1,468,226	1,027,741	2,969,293	2,801,108
Light, Water and Fuel	92,551	1,482,728	297,807	1,873,086	2,114,011
Repairs and Maintenance	91,380	1,114,771	615,730	1,821,881	2,034,946
Printing, Stationery and Postage	7,422	70,590	1,545,190	1,623,202	1,470,682
Sundries	114,405	335,392	1,138,664	1,588,461	1,750,650
Store Wrapping Supplies	-	1,185,410	-	1,185,410	1,115,626
Travelling	5,533	223,501	916,524	1,145,558	1,205,049
Janitorial and Scavenging	28,174	783,016	272,577	1,083,767	895,394
Telephone and Telegraph	16,314	186,436	781,839	984,589	933,735
Armoured Car Service	-	-	689,236	689,236	439,650
Property Charges	356,564	87,828	-	444,392	455,959
Warehouse Equipment Costs	358,715	-	-	358,715	362,535
Bank Charges	-	-	6,743	6,743	16,018
	\$7,559,664	\$84,561,812	\$35,974,533	\$128,096,009	\$115,312,688

FR/88-FS/OP/EXP

BRITISH COLUMBIA LOTTERY CORPORATION

Thorne Ernst & Whinney

Chartered Accountants

500 - 275 Lansdowne Street
Kamloops, British Columbia, Canada
V2C 1X8(604) 372-5581
(604) 374-3121

BRITISH COLUMBIA LOTTERY CORPORATION

AUDITORS' REPORT

To the Directors of the British Columbia Lottery Corporation

We have examined the consolidated balance sheet of the British Columbia Lottery Corporation as at March 31, 1988, and the consolidated statements of income, changes in amounts due to the Province of British Columbia, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988, and the results of its operations, and the changes in the amounts due to the Province of British Columbia, and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants

Kamloops, B.C.
June 13, 1988

BRITISH COLUMBIA LOTTERY CORPORATION

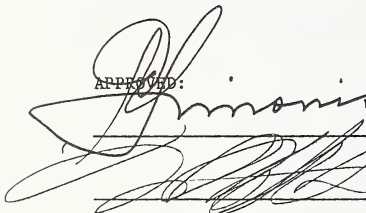
MARCH 31, 1988

CONSOLIDATED BALANCE SHEET

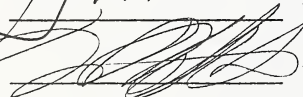
(in thousands of dollars)

Assets	1988	1987
Cash		
Prize funds	\$ 14,479	\$ 9,291
Other	10,364	2,391
Receivables (note 3)	3,769	4,268
Prepaid expenses	1,690	2,883
Fixed assets (note 4)	<u>7,265</u>	<u>17,212</u>
	<u>\$ 37,567</u>	<u>\$ 36,045</u>
Liabilities		
Prizes payable	\$ 14,479	\$ 9,291
Payable to Interprovincial Lottery Corporation	903	2,688
Accounts payable & accrued liabilities	3,581	5,915
Deferred revenue	5,264	3,949
Due to Government of Canada	-	975
Due to Province of British Columbia	13,340	13,227
Share capital (note 5)	<u>-</u>	<u>-</u>
	<u>\$ 37,567</u>	<u>\$ 36,045</u>

APPROVED:



Director



Director

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1988

CONSOLIDATED STATEMENT OF CHANGES IN AMOUNTS DUE
TO PROVINCE OF BRITISH COLUMBIA

(in thousands of dollars)

Net Income	1988	1987
Balance, beginning of year	\$ 13,227	\$ 6,108
Net income	<u>174,137</u>	<u>167,836</u>
	187,364	173,944
Payments to Province of British Columbia during the year	166,473	152,396
Allocation of income to Government of Canada	<u>7,551</u>	<u>8,321</u>
	174,024	160,717
Balance, end of year	<u><u>\$ 13,340</u></u>	<u><u>\$ 13,227</u></u>
Lottery Advances Agreement		
Balance, beginning of year	\$ -	\$ 13,282
Payments during the year (note 6)	<u>-</u>	<u>13,282</u>
Balance, end of year	<u>-</u>	<u>-</u>
	<u><u>\$ 13,340</u></u>	<u><u>\$ 13,227</u></u>

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1988

CONSOLIDATED STATEMENT OF INCOME

(in thousands of dollars)

	1988	1987
Lottery sales (note 7)	\$ 469,639	\$ 444,935
Direct expenses		
Prizes	\$ 216,267	\$ 203,991
Retailer commissions	<u>25,628</u>	<u>24,736</u>
	241,895	228,727
Sales less direct expenses	<u>227,744</u>	<u>216,208</u>
Operating expenses		
Data processing & network	10,924	10,941
Depreciation	10,956	10,577
Ticket printing	9,133	8,858
Bingo paper	2,589	1,356
Advertising, draws & promotions	7,985	7,374
Sales & distribution	6,833	5,113
Administration	<u>5,187</u>	<u>4,153</u>
	53,607	48,372
Net income	<u>\$ 174,137</u>	<u>\$ 167,836</u>
Allocation of net income:		
Government of Canada (note 8)	\$ 7,551	\$ 8,321
Province of British Columbia	<u>166,586</u>	<u>159,515</u>
	<u>\$ 174,137</u>	<u>\$ 167,836</u>

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1988

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands of dollars)

	1988	1987
Cash Provided By (used for)		
Operations		
Net Income	\$ 174,137	\$ 167,836
Depreciation	10,956	10,577
Cash provided by operations	185,093	178,413
Change in net trade balances	(3,620)	3,118
Decrease in prepaid expenses	1,193	(681)
Increase in prizes payable	5,188	1,476
Increase in deferred revenue	1,315	1,426
	\$ 189,169	\$ 183,752
Financing:		
Payments to Province of British Columbia	(166,473)	(152,396)
Payments to Government of Canada	(8,526)	(8,317)
Repayment of Lottery Advances Agreement	-	(13,282)
	\$(174,999)	\$(173,995)
Investments:		
Acquisition of fixed assets	(1,009)	(7,023)
	(1,009)	(7,023)
Increase in Cash Position	13,161	2,734
Cash Position at Beginning of Year	11,682	8,948
Cash Position at End of Year	\$ 24,843	\$ 11,682

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1988

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars)

1. Nature of the Corporation

The British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984.

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada.

The PACIFIC EXPRESS, Instant, LOTTO B.C., THE PICK and Breakopen games are conducted solely by the Corporation in the Province of British Columbia. In addition the Corporation is the sole distributor of Bingo paper in the Province of British Columbia.

The Corporation is the regional marketing organization for the PROVINCIAL, SUPER LOTO AND LOTTO 6/49 games in British Columbia. These games are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. Significant Accounting Policies:

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

A. Consolidation

The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

B. Capital Purchases

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased, will be capitalized. These purchases include the cost of leasehold improvements, renovations and furniture of the Corporation's offices in Kamloops,

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1988

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

2. Significant Accounting Policies (continued):

Richmond, and Victoria, major computer equipment purchases, all on-line gaming terminals, and all components of the Corporation's sign and fixture program for placement at the on-line game retailers' locations.

The Corporation's capital assets are recorded at their original cost and are depreciated on a straight-line basis according to their estimated useful lives, as follows:

Leasehold improvements	5 years
Furniture & equipment	5 years
Computer equipment	3 years
On-line gaming terminals	3 years
Signs & Fixtures:	
Computer	3 years
Non-computer	5 years

C. Free Tickets

Sales are reduced by the retail value of free tickets redeemed by the retailers.

D. Deferred Revenue and Expenses

Revenue and expenses relating to draws held during the year ended March 31, 1988 are included in the statement of income on an accrual basis. Receipts from the sale of lottery tickets related to draws held subsequent to March 31, 1988 have been recorded as deferred revenue. Retailer commissions on these sales have been recorded as prepaid expenses.

E. Prize Expenses

The Corporation provides for prize expenses at approximately 50% for all B.C. games. The prize liability accounts reflect expected prize payouts.

Prize expenses for Interprovincial Lottery Corporation games is British Columbia's proportionate share of prizes based on the number of tickets sold.

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1988

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

3. Receivables		1988	1987	
Retailers		\$ 2,670	\$ 3,664	
Other		<u>1,099</u>	<u>604</u>	
		<u>\$ 3,769</u>	<u>\$ 4,268</u>	
4. Fixed Assets				
	Cost	Accumulated Depreciation	Net 1988	Net 1987
On-line gaming terminals	\$ 15,119	\$ 14,427	\$ 692	\$ 5,732
Central system computer hardware	8,386	7,946	440	3,119
Leasehold improvements	8,283	4,472	3,811	4,929
Furniture & equipment	2,744	1,601	1,143	1,613
Signs & fixtures	<u>2,858</u>	<u>1,679</u>	<u>1,179</u>	<u>1,819</u>
	<u>\$ 37,390</u>	<u>\$ 30,125</u>	<u>\$ 7,265</u>	<u>\$ 17,212</u>
5. Share Capital				
Authorized: 10,000 common shares without par value				
Issued: 1 common share for \$1.00				
6. Lottery Advances Agreement				
On March 27, 1987 the advance outstanding of \$ 13,282,332 was repaid in full.				

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1988

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

7. Lottery Sales	1988	1987
Nationwide Games		
Lotto 6/49	\$ 257,599	\$ 251,561
Super Loto	17,649	22,811
Provincial	19,350	20,948
	\$ 294,598	\$ 295,320
British Columbia Games		
Lotto West	-	14,768
The Pick	29,951	1,741
Pacific Express	7,052	12,234
Lotto B.C.	10,940	13,874
Instant	104,195	95,874
	152,138	138,491
Breakopen	19,421	9,244
Bingo	3,482	1,880
	\$ 175,041	\$ 149,615
Total	\$ 469,639	\$ 444,935

8. Payments to Government of Canada

The Interprovincial Lottery Corporation makes inflation adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to the Interprovincial Lottery Corporation. Payments under this agreement are estimated to be \$ 4,800,000 for the year ended March 31, 1989.

In addition, a further agreement was signed between the provinces and the Government of Canada whereby the provinces agreed to remit a further \$ 100 million to the Government of Canada over the three years commencing in 1985. The final payment under this agreement was made on December 31, 1987.

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1988

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

9. Interprovincial Lottery Corporation Expenses and Interest Revenue

The Corporation's share of the Interprovincial Lottery Corporation's operating expenses and interest revenues are reflected in these financial statements. Net income recorded from the Interprovincial Lottery Corporation was \$399,000 for the year ended March 31, 1988 (\$601,000; 1987).

10. Lease Obligations

Long-term office space leases will expire as follows:

Kamloops	1994
Richmond	1995
Victoria	1989

Minimum annual rental payments for the next five years are:

1988-1989	\$757
1989-1990	\$764
1990-1991	\$786
1991-1992	\$786
1992-1993	\$786

11. Pension Plan

The market value of pension plan assets is approximately \$ 2,361,000 and estimated liabilities are approximately \$ 2,244,000.

B.C. PAVILION CORPORATION**Thorne Ernst & Whinney**

Chartered Accountants

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2500 - 1177 West Hastings Street
Vancouver, British Columbia, Canada
V6E 2L9

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Telex: 04-55177
File Ref.

AUDITORS' REPORT

To the Shareholder of
B.C. Pavilion Corporation

We have examined the balance sheet of B.C. Pavilion Corporation as at March 31, 1988 and the statements of revenue and expenditures and accumulated net revenue, changes in financial position and contributed surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied, after giving retroactive effect to the reorganization described in note 1, on a basis consistent with that of the preceding year.

Thorne Ernst & Whinney


May 13, 1988

B.C. PAVILION CORPORATION

BALANCE SHEET

	March 31	
	1988	1987
		(restated - note 1)
ASSETS		
CURRENT ASSETS		
Cash and term deposits	\$ 3,444,804	\$ 1,850
Accounts receivable	2,595,149	3,531,507
Supplies inventory	82,662	83,093
Prepaid expenses	302,563	225,299
	<u>6,425,178</u>	<u>3,841,749</u>
FIXED ASSETS (note 3)	<u>158,896,821</u>	<u>162,127,110</u>
	<u>\$165,321,999</u>	<u>\$165,968,859</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 4)	\$ 3,652,216	\$ 2,398,130
Deposits and deferred revenue	<u>1,793,588</u>	<u>1,561,716</u>
	5,445,804	3,959,846
DEFERRED GOVERNMENT CONTRIBUTIONS (note 5)	<u>1,097,471</u>	<u>-</u>
	<u>6,543,275</u>	<u>3,959,846</u>
SHAREHOLDER'S EQUITY		
Share capital (note 6)	1	1
Contributed surplus	158,778,723	162,009,012
Accumulated net revenue	-	-
	<u>158,778,724</u>	<u>162,009,013</u>
	<u>\$165,321,999</u>	<u>\$165,968,859</u>
CONTINGENT LIABILITY (note 7)		
COMMITMENTS (note 8)		

APPROVED BY THE BOARD



Director



Director

B.C. PAVILION CORPORATION

STATEMENT OF REVENUE AND EXPENDITURES
AND ACCUMULATED NET REVENUE

	Year ended March 31, 1988
Revenue from operations	<u>\$22,005,845</u>
Expenditures	
Operations	19,889,673
Administration	4,638,402
Marketing	2,742,222
Depreciation	<u>7,138,366</u>
	<u>34,408,663</u>
Net expenditures prior to recoveries	<u>12,402,818</u>
Recoveries	
Contributions from	
Province of British Columbia	4,264,452
Government of Canada	1,000,000
Amortization of contributed surplus to offset depreciation charged on contributed assets	<u>7,138,366</u>
	<u>12,402,818</u>
NET REVENUE, BEING ACCUMULATED NET REVENUE AT END OF YEAR	<u><u>-</u></u>

B.C. PAVILION CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended March 31, 1988
<hr/>	
CASH PROVIDED BY (USED FOR):	
OPERATIONS	
Net expenditures prior to recoveries	\$(12,402,818)
Item not involving cash	
Depreciation	7,138,366
	<u>(5,264,452)</u>
Changes in non-cash operating working capital	
Accounts receivable	936,358
Supplies inventory	431
Prepaid expenses	(77,264)
Accounts payable and accrued liabilities	1,254,086
Deposits and deferred revenue	231,872
	<u>(2,918,969)</u>
FINANCING	
Financing from the Province of British Columbia towards operations for the year	4,264,452
Financing from the Province of British Columbia towards fixed assets acquisitions for the year	3,908,077
Deferred contribution from the Province of British Columbia in excess of immediate fundings required for operations	1,097,471
Contribution from Government of Canada towards opening of the Vancouver Trade and Convention Centre	1,000,000
	<u>10,270,000</u>
INVESTMENT	
Capital additions for the year	<u>(3,908,077)</u>
INCREASE IN CASH POSITION	3,442,954
Cash position at beginning of year	<u>1,850</u>
CASH POSITION AT END OF YEAR	<u>\$ 3,444,804</u>
<hr/>	
Cash position is defined as cash and term deposits.	

B.C. PAVILION CORPORATION

STATEMENT OF CONTRIBUTED SURPLUS

	Year ended March 31, 1988
Contribution on the transfer of assets effective March 31, 1987	\$162,009,012
Contributions from the Province of British Columbia towards fixed assets acquisitions	3,908,077
Transferred to statement of revenue and expenditures and accumulated net revenue to offset depreciation charged on contributed assets	<u>(7,138,366)</u>
BALANCE AT END OF YEAR	<u>\$158,778,723</u>

B.C. PAVILION CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1988

1. GENERAL

B.C. Pavilion Corporation was incorporated by the Province of British Columbia on May 3, 1984 under the British Columbia Company Act. Prior to March 31, 1987, the Corporation's mandate was to develop and operate the exhibitory at the B.C. Pavilion facility for the 1986 World Exposition.

Prior to March 31, 1987, the Corporation's parent was British Columbia Place Ltd., which held the one common share issued.

Effective March 31, 1987, through a Crown corporation reorganization, B.C. Enterprise Corporation (formerly British Columbia Place Ltd.) transferred assets, including B.C. Place Stadium, and related contributed surplus to the Corporation at the transferor's net book value. In addition, the Provincial government changed the Corporation's mandate to include management of certain other public facilities in the Province of British Columbia. The Vancouver Trade and Convention Centre lease between Canada Harbour Place Corporation and British Columbia Place Ltd. was assigned to the Corporation.

Effective March 31, 1987, as part of the reorganization, the one outstanding share of the Corporation was transferred to the Minister of Economic Development on behalf of the Province of British Columbia.

The Corporation also operates the following facilities which are owned by other Crown corporations:

- The Whistler Conference Centre
- The Whistler Golf Club
- The B.C. Enterprise Centre

These financial statements include the assets, liabilities, revenues and expenditures of the Corporation as if the reorganization had been effective March 31, 1987. Accordingly, the comparative figures on the balance sheet for assets, liabilities and shareholder's equity balances represent retroactive treatment of the transfers from the accounts of B.C. Enterprise Corporation. The items previously reported by the Corporation as at March 31, 1987 were share capital of \$1, a liability to British Columbia Place Ltd. of approximately \$2,976,000 resulting from a previous mandate to operate the B.C. Pavilion at the 1986 World Exposition and a corresponding deficit. This liability and deficit were eliminated through funding from the B.C. Lottery Fund.

B.C. PAVILION CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with generally accepted accounting principles appropriate for B.C. Pavilion Corporation. These principles are in conformity with generally accepted accounting principles appropriate for commercial enterprises, with the exceptions identified in notes 2(a) and (c) below.

(a) Fixed assets

Fixed assets have been recorded as follows:

- (i) fixed assets funded through contributions by the Province of British Columbia, either to the Corporation or predecessor corporations, at cost. The related contribution is initially recorded as a credit to contributed surplus;
- (ii) fixed assets specifically funded by the Federal Government at cost net of the related contribution;
- (iii) All assets are depreciated over their estimated useful lives to the Corporation. Depreciation is provided on the following basis.

<u>Asset classification</u>	<u>Depreciation term</u>
Buildings and improvements	10 years to 50 years. Buildings are depreciated on a sinking-fund basis; improvements on a straight-line basis
Other fixed assets	1 to 10 years on a straight-line basis, except motor vehicles which are at 30% of the declining-balance
Leasehold improvements	Over the shorter of the estimated useful life of the improvement, or the term of the lease
Furniture	5 years straight-line
Computer	3 years straight-line

B.C. PAVILION CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Deferred government contributions

Government funding is initially deferred in the accounts of the Corporation. Funding towards operations is recognized as a recovery to the extent that the funds are utilized. Funding towards fixed assets acquisitions is allocated to contributed surplus at the time the related asset is acquired.

(c) Amortization of contributed surplus

Contributed surplus is amortized and reflected in operations as a recovery in an amount equal to that required to offset depreciation charged on contributed assets.

(d) New business development

Start-up costs relating to new business development are expensed in the year incurred. Any related revenues are recognized as earned.

(e) Comparative results

Results of operations and changes in financial position for comparative periods have not been presented as they relate to the operation of the B.C. Pavilion at Expo 86. As such, they are not consistent with the Corporation's current mandate and, accordingly, are not considered meaningful in the circumstances.

3. FIXED ASSETS

	1988		1987	
	Cost	Accumulated depreciation	Net book value	Net book value
Facilities				
B.C. Place Stadium	\$172,314,521	\$16,080,973	\$156,233,548	\$160,118,206
B.C. Enterprise Centre	3,748,278	2,361,531	1,386,747	1,465,277
Expo Theatre	1,030,984	860,328	170,656	-
Vancouver Trade and Convention Centre	902,556	215,095	687,461	285,502
Corporate office	520,919	102,510	418,409	-
Whistler	108,131	108,131	-	-
Expo Centre	-	-	-	258,125
	<u>\$178,625,389</u>	<u>\$19,728,568</u>	<u>\$158,896,821</u>	<u>\$162,127,110</u>

The Expo Centre no longer appears on the accounts of the Corporation, as title was transferred to the City of Vancouver during fiscal 1988.

B.C. PAVILION CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

3. FIXED ASSETS (Continued)

	1988		1987	
	Cost	Accumulated depreciation	Net book value	Net book value
Fixed asset classes				
Buildings and improvements	\$159,814,636	\$ 7,828,446	\$151,986,190	\$153,980,043
Other	12,001,886	7,661,406	4,340,480	6,018,144
Leasehold improvements	4,227,538	2,754,940	1,472,598	935,024
Furniture	2,122,767	1,381,169	741,598	1,193,899
Computer	458,562	102,607	355,955	-
	<u>\$178,625,389</u>	<u>\$19,728,568</u>	<u>\$158,896,821</u>	<u>\$162,127,110</u>

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	1988	1987
Accounts payable and accrued liabilities	\$2,996,160	\$ 983,526
B.C. Enterprise Corporation	<u>656,056</u>	<u>1,414,604</u>
	<u>\$3,652,216</u>	<u>\$2,398,130</u>

5. DEFERRED GOVERNMENT CONTRIBUTIONS

	Year ended March 31, 1988
Contributions from the Province of British Columbia	\$9,270,000
Allocated as follows	
Contributed surplus for fixed assets acquisitions	3,908,077
Transferred to operations	<u>4,264,452</u>
	<u>8,172,529</u>
BALANCE AT END OF YEAR	<u>\$1,097,471</u>

B.C. PAVILION CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

6. SHARE CAPITAL

Authorized

10,000 common shares with no par value

Issued and fully paid

1 share, held by the Minister of Economic
Development on behalf of the Province
of British Columbia

7. CONTINGENT LIABILITY

The Corporation has guaranteed the B.C. Lions' bank loan up to an amount equal to \$2.0 million. This loan guarantee expires December 31, 1989.

8. COMMITMENTS

Obligations within the next five years under long-term operating leases are as follows:

Year ending March 31, 1989	\$ 800,000
1990	800,000
1991	800,000
1992	800,000
1993	800,000
Thereafter	<u>4,000,000</u>
	<u>\$8,000,000</u>

9. INCOME TAXES

As a Provincial Crown corporation, the Corporation is exempt from Federal and Provincial income taxes.

10. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Corporation acquired and sold goods and services from the Province of British Columbia and certain Crown corporations, predominantly under prevailing trade terms.

Included in revenue from operations and accounts receivable is rental income of \$987,000 from the B.C. Buildings Corporation, another crown corporation. Included in operations expense is rent paid to B.C. Enterprise Corporation of \$800,000.

BRITISH COLUMBIA PETROLEUM CORPORATION

PETROLEUM CORPORATION FUND

Balance Sheet

March 31, 1988

	<u>1988</u>	<u>1987</u>
ASSETS		
Current assets		
Cash	\$ 7,143,864	\$ 31,496,926
Accounts receivable	8,748,216	4,596,339
	<u>15,892,080</u>	<u>36,093,265</u>
Prepaid gas (Note 3)	33,125,554	40,238,705
Property account (Note 4)	<u>123,596</u>	<u>178,789</u>
Other assets		
Deferred receivable (Note 5)	53,240,797	48,023,965
Debt issue expenses	—	42,420
	<u>53,240,797</u>	<u>48,066,385</u>
	<u>\$ 102,382,027</u>	<u>\$ 124,577,144</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges	\$ 5,885,302	\$ 2,907,619
Deferred liability due within one year (Note 6)	1,000,000	1,000,000
Long-term debt due within one year	—	30,000,000
	<u>6,885,302</u>	<u>33,907,619</u>
Deferred liability (Note 6)	2,083,333	3,083,333
Surplus	<u>93,413,392</u>	<u>87,586,192</u>
	<u>\$ 102,382,027</u>	<u>\$ 124,577,144</u>
Commitments (Note 8)		

Approved by the Directors



Director



Director

See accompanying notes to financial statements.

PETROLEUM CORPORATION FUND

Statement of Revenue, Expenditure and Surplus*Year Ended March 31, 1988*

	<u>1988</u>	<u>1987</u>
Revenue		
Interest (Note 7)	\$ 3,985,694	\$ 3,778,444
Miscellaneous income	106,080	104,640
Gain (loss) on prepaid gas (Note 3)	1,834,023	(3,346,914)
Gain (loss) on disposal of assets	11,700	(415)
	<u>5,937,497</u>	<u>535,755</u>
Expenditure		
Administrative and general expenses	110,297	309,917
Net income	5,827,200	225,838
Surplus at beginning of year	87,586,192	102,360,354
	<u>93,413,392</u>	<u>102,586,192</u>
Deduct: Transfers to Provincial Treasury	—	15,000,000
Surplus at end of year	<u>\$ 93,413,392</u>	<u>\$ 87,586,192</u>

See accompanying notes to financial statements.

PETROLEUM CORPORATION FUND

Statement of Changes in Financial Position*Year Ended March 31, 1988*

	1988	1987
Operating activities		
Operations		
Net income	\$ 5,827,200	\$ 225,838
Add items not involving a flow of cash:		
— Depreciation and amortization	148,500	147,060
— Loss (gain) on disposal of fixed assets	(11,700)	415
Cash from operations	5,964,000	373,313
Recovery of prepaid gas	7,113,151	14,007,860
Transfers to Provincial Treasury	—	(15,000,000)
	<u>13,077,151</u>	<u>(618,827)</u>
Financing activities		
Mortgages	—	63,980
Increase (decrease) in deferred liability	(1,000,000)	(916,667)
Repayment of long-term debt	(30,000,000)	—
	<u>(31,000,000)</u>	<u>(852,687)</u>
Investing activities		
Property additions	(50,887)	(15,987)
Proceeds from sale of fixed assets	11,700	1,710
Increase in deferred receivable	(5,216,832)	(3,023,965)
	<u>(5,256,019)</u>	<u>(3,038,242)</u>
Changes in non-cash working capital		
Accounts receivable	(4,151,877)	1,556,431
Accounts payable and accrued charges	2,977,683	1,783,222
	<u>(1,174,194)</u>	<u>3,339,653</u>
Increase (decrease) in cash position during the year	(24,353,062)	(1,170,103)
Cash position at beginning of year	31,496,926	32,667,029
Cash position at end of year	<u>\$ 7,143,864</u>	<u>\$ 31,496,926</u>

See accompanying notes to financial statements.

PETROLEUM CORPORATION FUND

Notes to the Financial Statements

March 31, 1988

Note 1 — Statutory Requirements

The Petroleum Corporation Fund is established by the Petroleum Corporation Act.

Note 2 — Significant Accounting Policies
CONSOLIDATION

The Petroleum Corporation Fund financial statements include the accounts of the Corporation's subsidiary, British Columbia Gas Corporation.

GAS SALES

Under the terms of an agreement between Westcoast Energy Inc. and British Columbia Petroleum Corporation effective November 1, 1973, the Corporation sells natural gas to Westcoast at a price equal to the gross revenue received by that Company on the resale thereof less that Company's cost of service, in respect of gathering, processing and transporting the gas, for the month in which such resale takes place. Prior to July 1, 1985, revenue from sales of natural gas was paid into the Petroleum Corporation Fund. Effective July 1, 1985, the revenue from such sales is paid into the Natural Gas Price Adjustment Fund, as required by the Natural Gas Price Act, 1985.

DEPRECIATION

Furniture, equipment, automobiles and leasehold improvements are recorded at cost and depreciation is provided at rates considered adequate to amortize the cost over the service lives of the assets. Depreciation is computed on a straight-line basis.

Note 3 — Prepaid Gas

Under its gas purchase contracts with producers, the Corporation is obligated to purchase and take delivery of, or pay for, a specified minimum annual volume of gas. In the contract years 1980-1987 inclusive, the Corporation was unable to take delivery of the minimum volume of gas and, therefore, is liable to pay for the resulting shortfall (deficiency gas). The Corporation is entitled to take delivery of deficiency gas within a period of ten years from the date incurred, with an adjustment for any increase in the prices prevailing when such gas is delivered.

Prepaid gas outstanding at March 31, 1988, has been calculated at the lower of cost or current value.

Note 4 — Property Account

	Cost	Accumulated Depreciation & Amortization	1988 Net Book Value	1987 Net Book Value
Furniture	\$403,014	\$348,696	\$ 54,318	\$111,076
Automobiles	48,947	11,703	37,244	10,599
Leasehold Improvements	250,538	218,504	32,034	57,114
	<u>\$702,499</u>	<u>\$578,903</u>	<u>\$123,596</u>	<u>\$178,789</u>

Note 5 — Deferred Receivable

The deferred receivable of \$53,240,797 represents the amount of credit extended to Ocelot Investments Ltd. as at March 31, 1988, under an agreement with the Corporation and its subsidiary, British Columbia Gas Corporation. Of this receivable, which is secured by a first fixed and floating charge on the assets of that company, an amount of \$35,740,741 is repayable by way of equal monthly instalments to April 1, 2004, with interest at three quarters of one percent over prime, and an amount of \$3,083,333 is repayable by way of equal monthly instalments to April 1, 1991, at the same interest rate. The balance of the deferred receivable, amounting to \$14,416,723, represents unpaid obligations of Ocelot Investments Ltd. under this agreement and other contracts, including accrued interest thereon.

No provision has been made in these financial statements for the possible non-recovery of this receivable as the value of the secured assets is considered adequate to repay the amounts owing.

Note 6 — Deferred Liability

The deferred liability of \$3,083,333 represents the deferral, under an agreement with Pacific Northern Gas Ltd., in the payment of a portion of the billing for gas delivered to British Columbia Gas Corporation. This amount, including accrued interest at a rate of not less than three quarters of one percent over prime, is repayable over a period of five years which commenced May 1, 1986.

Note 7 — Interest

	1988	1987
Interest Income		
Province of		
British Columbia	\$2,295,961	\$2,705,856
Other	5,144,653	4,527,508
	<u>7,440,614</u>	<u>7,233,364</u>
Less: Interest expense	3,412,500	3,412,500
Amortization of debt		
issue expenses	42,420	42,420
	<u>3,454,920</u>	<u>3,454,920</u>
	<u>\$3,985,694</u>	<u>\$3,778,444</u>

Note 8 — Commitments

(1) Under agreements with producers which waived the Corporation's liability to pay for deficiency gas incurred in 1980, the Corporation is committed to purchase and take delivery of, or pay for, a specified volume of such gas in each year to 1991. At March 31, 1988, the Corporation's aggregate liability under these agreements was estimated at approximately \$2,324,000.

(2) The Corporation has commitments under agreements for the lease of office premises extending to 1989. The aggregate rentals payable under leases amounted to approximately \$352,000 at March 31, 1988.

Note 9 — Comparative Figures

Certain comparative figures have been reclassified to conform to the 1988 presentation.

Auditors' Report

To the Lieutenant-Governor in Council,
Province of British Columbia:

We have examined the balance sheet of the Petroleum Corporation Fund as at March 31, 1988, and the statements of revenue, expenditure and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1988, and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Wolrige Mahon
Chartered Accountants

Vancouver, B.C., June 1, 1988

NATURAL GAS PRICE ADJUSTMENT FUND

Balance Sheet

March 31, 1988

ASSETS	1988	1987
Cash	\$ 47,730,438	\$ 38,677,317
Accounts receivable	39,277,483	47,879,455
Prepaid expenses	8,153	3,977
	<u>\$ 87,016,074</u>	<u>\$ 86,560,749</u>
LIABILITIES		
Accounts payable and accrued charges	\$ 37,963,262	\$ 45,778,993
Amount available for distribution (Note 2)	49,052,812	40,781,756
	<u>\$ 87,016,074</u>	<u>\$ 86,560,749</u>

Approved by the Directors


 Director


 Director

See accompanying notes to financial statements.

NATURAL GAS PRICE ADJUSTMENT FUND

Statement of Revenue, Expenditure and Fund Balance

Year Ended March 31, 1988

Revenue	1988	1987
Sales from natural gas, natural gas liquids and sulphur (Note 2)	\$ 397,953,897	\$ 397,974,979
Interest	2,122,038	2,414,354
	<u>\$ 400,075,935</u>	<u>\$ 400,389,333</u>
Expenditure		
Natural gas purchases	352,675,110	369,803,152
Price adjustments	18,590,888	18,004,446
Payments for natural gas liquids	18,462,547	10,372,994
Administrative and general expenses	2,076,334	1,832,904
	<u>391,804,879</u>	<u>400,013,496</u>
Excess of revenue over expenditure	8,271,056	375,837
Fund balance at beginning of year, as restated (Note 3) . . .	40,781,756	40,405,919
Fund balance at end of year	<u>\$ 49,052,812</u>	<u>\$ 40,781,756</u>

See accompanying notes to financial statements.

NATURAL GAS PRICE ADJUSTMENT FUND

Notes to the Financial Statements*March 31, 1988***Note 1 — Statutory Requirements**

The Natural Gas Price Adjustment Fund is established by the Natural Gas Price Act, 1985.

Note 2 — Significant Accounting Policies
GAS SALES

Under the terms of an agreement between Westcoast Energy Inc. and British Columbia Petroleum Corporation effective November 1, 1973, the Corporation sells natural gas to Westcoast at a price equal to the gross revenue received by that Company on the resale thereof less that Company's cost of service, in respect of gathering, processing and transporting the gas, for the month in which such resale takes place. The revenue from sales of natural gas is paid into the Natural Gas Price Adjustment Fund for subsequent distribution to producers, as required by the Natural Gas Price Act.

CHANGES IN FINANCIAL POSITION

A statement of changes in financial position is not provided as disclosure of such information in these financial statements is considered to be adequate.

Note 3 — Prior Year Adjustment


By an order dated November 9, 1987, the National Energy Board instructed Westcoast Energy Inc. to make certain amendments to its tariffs and tolls, the net effect of which was to increase the revenue of the fund in the year ended March 31, 1987. As a result of this order, the fund balance at that date, previously reported as \$38,492,214, has been restated to reflect this increase in revenue amounting to \$2,289,542.

Auditors' Report

To the Lieutenant-Governor in Council,
Province of British Columbia:

We have examined the balance sheet of the Natural Gas Price Adjustment Fund as at March 31, 1988, and the statement of revenue, expenditure and fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1988, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Wolrige Mahon
Chartered Accountants

Vancouver, B.C., June 1, 1988

BRITISH COLUMBIA RAILWAY COMPANY**Coopers
& Lybrand**

chartered accountants

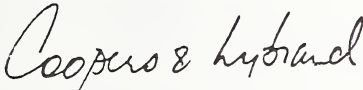
a member firm of
Coopers & Lybrand (International)**AUDITORS' REPORT**

To The Lieutenant Governor In Council
Province Of British Columbia

We have examined the consolidated balance sheet of British Columbia Railway Company as at December 31, 1987 and the consolidated statements of income and retained earnings and cash flow for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1987 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

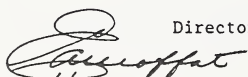
The comparative figures for the year ended December 31, 1986 were reported on by other auditors.



Vancouver, British Columbia
Canada
February 29, 1988

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED BALANCE SHEET
December 31
(Dollars in Thousands)

	<u>1987</u>	<u>1986</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 23,447	712
Accounts receivable	37,131	51,027
Material and other items	<u>35,604</u>	<u>30,451</u>
	96,182	82,190
Property and equipment		
Road and buildings	1,124,824	1,076,404
Equipment	<u>269,943</u>	<u>254,099</u>
	1,394,767	1,330,503
Accumulated depreciation	<u>278,099</u>	<u>247,069</u>
	1,116,668	1,083,434
Dease Lake extension - Note 2	<u>98,020</u>	<u>98,020</u>
	1,310,870	1,263,644
	=====	=====
<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>		
Current liabilities		
Accounts payable	99,498	83,443
Current obligations on long-term debt	<u>1,596</u>	<u>1,441</u>
	101,094	84,884
Deferred income taxes	<u>0</u>	<u>517</u>
Long-term debt - Note 3	<u>113,366</u>	<u>125,780</u>
Minority interest - Note 4	<u>200,000</u>	<u>200,000</u>
Shareholder's equity		
Share capital - Note 5	257,688	257,688
Contributed surplus	510,716	510,716
Retained earnings	<u>128,006</u>	<u>84,059</u>
	896,410	852,463
Commitments - Note 6		
Contingent liabilities - Note 7		
	\$1,310,870	1,263,644
	=====	=====
On behalf of the Board		

 Director

Director

Coopers
& Lybrand

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED INCOME AND RETAINED EARNINGS
For the year ended December 31
(Dollars in Thousands)

	<u>1987</u>	<u>1986</u>
Revenues	\$ <u>321,842</u>	<u>313,447</u>
Expenses		
Operations	71,216	67,928
Equipment	68,105	69,698
Road	51,049	46,460
Depreciation	34,870	32,359
Other	23,542	24,046
Government assistance - Note 8	<u>(10,645)</u>	<u>(10,095)</u>
	<u>238,137</u>	<u>230,396</u>
Railway operating income	83,705	83,051
Non-operating income (expense)		
Interest - Note 9	(11,839)	(13,687)
Other income	<u>372</u>	<u>2,711</u>
	<u>(11,467)</u>	<u>(10,976)</u>
Net income before deferred income taxes	72,238	72,075
Provision for (recovery of) deferred income taxes - Note 10	<u>(517)</u>	<u>2,138</u>
Net income before minority interest	72,755	69,937
Minority interest	<u>18,500</u>	<u>18,500</u>
Net income	54,255	51,437
Retained earnings, beginning of year	<u>84,059</u>	<u>42,930</u>
	138,314	94,367
Dividends paid	<u>10,308</u>	<u>10,308</u>
Retained earnings, end of year	\$ <u>128,006</u> =====	84,059 =====

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED CASH FLOW
For the year ended December 31
(Dollars in Thousands)

	<u>1987</u>	<u>1986</u>
Operating activities		
Net income	\$ 54,255	51,437
Add (deduct)		
Items not affecting working capital		
Depreciation and amortization	34,870	32,359
Deferred income taxes	(517)	2,138
Net changes in non-cash working capital balances		
Accounts receivable	13,896	2,512
Material and other items	(5,153)	4,730
Accounts payable	16,201	(24,461)
Interest	11,839	13,687
Minority interest	<u>18,500</u>	<u>18,500</u>
	<u>143,891</u>	<u>100,902</u>
Investing activities		
Additions to property and equipment	(72,447)	(53,898)
Change in payables for equipment purchases	(146)	(1,681)
Government assistance for capital items	<u>4,343</u>	<u>10,413</u>
	<u>(68,250)</u>	<u>(45,166)</u>
Financing activities		
Repayment of long-term debt	(12,259)	(22,983)
Interest	(11,839)	(13,687)
Minority interest in earnings	<u>(18,500)</u>	<u>(18,500)</u>
	<u>(42,598)</u>	<u>(55,170)</u>
Dividends paid	<u>(10,308)</u>	<u>(10,308)</u>
Increase (decrease) in cash	22,735	(9,742)
Cash, beginning of year	<u>712</u>	<u>10,454</u>
Cash, end of year	\$ 23,447	712
	=====	=====

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1987

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting regulations prescribed by the Canadian Transport Commission for Canadian railways have been adopted to the extent that this is possible without submitting specific accounting policies and depreciation rates to the Commission for approval.

Basis of consolidation

The consolidated financial statements include the accounts of British Columbia Railway Company and its subsidiaries BC Rail Ltd. and BCR Properties Ltd. In these notes "company" refers to British Columbia Railway Company and its subsidiaries. All significant inter-company transactions are eliminated.

Class of business

The company provides a fully integrated rail freight service within British Columbia. Services other than hauling freight are not of sufficient size to warrant separate reporting.

Road property

New construction is recorded at cost net of Government grants. Abandoned or relocated sections are removed at average unit costs. Elements of track structure installed during planned programs are recorded at cost and the material replaced is removed at amounts which approximate average unit costs. Labour costs for programmed replacements are expensed as incurred.

Depreciation

Depreciation is provided for major categories of property and equipment on the straight-line basis at composite rates estimated to reduce the original cost to estimated salvage value over the average service lives of the classes. The group method is used for recording depreciation under which, on disposal, the original cost of assets retired less salvage value is charged against accumulated depreciation. No gain or loss on retirements, other than on accidental destruction of rolling stock and on disposal of land, is included in income. The original cost of assets less estimated salvage value is depreciated over the following number of years:

	<u>Number of years</u>
Grades, surfacing and tunnels	100
Rails	35
Ties	15
Ballast	25
Bridges	30 - 80
Locomotives and power units	25
Freight cars	15 - 33

Repairs

Repairs and non-programmed replacements of track structure are charged against current operations. Betterments and major track relocations are capitalized.

Material and supplies

Inventories of material and supplies are valued at the lower of average cost and net realizable value.

Government assistance

Grants directly related to the construction or rehabilitation of road property have offset related road property capital expenditures. Operating assistance has been deducted from the related expense accounts or included in revenue.

Income taxes

Income tax expense is computed on the basis of accounting income recorded by BC Rail Ltd. No taxes are currently payable as BC Rail Ltd. is currently drawing down prior years deferred tax credits. British Columbia Railway Company and BCR Properties Ltd. are exempt from Canadian federal and provincial income taxes.

Transactions in foreign currency

Transactions originating in foreign currency are translated at the approximate exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currency at the balance sheet date are translated to equivalent Canadian amounts at the current rate of exchange.

Leases

Certain long-term lease transactions relating to the financing of equipment are accounted for as purchases. The capital lease obligations reflect the present value of future minimum rental payments discounted at the interest rate implicit in the leases. The capitalized values of depreciable assets are generally depreciated over the related lease terms in equal annual amounts. Costs of all other leases are charged against operations as incurred.

2. DEASE LAKE EXTENSION

These costs consist of charges relating to the uncompleted Dease Lake extension. Construction was suspended in 1977 and there are no commitments to continue. In the event any portion of this extension is abandoned, the cost less any value recovered will be written off at that time.

3. LONG-TERM DEBT

Long-term debt outstanding, less current maturities, consists of the following (in thousands):

	<u>1987</u>	<u>1986</u>
Sinking fund bonds and debentures payable to the Province of British Columbia (the Province)		
11% due June 1995	\$25,000	25,000
10.99% due August 2005	<u>24,490</u>	<u>24,490</u>
	49,490	49,490
Less sinking fund	<u>416</u>	<u>199</u>
	49,074	49,291
Bond payable to the Province 10.75% due February 1990	25,000	25,000
Capital lease obligations - Notes 6 and 12	<u>40,888</u>	<u>42,137</u>
	114,962	116,428
Deduct current portion	<u>1,596</u>	<u>1,441</u>
	113,366	114,987
Notes payable to the Province	<u>0</u>	<u>10,793</u>
	<u>\$113,366</u>	<u>125,780</u>
	=====	=====

4. MINORITY INTEREST

The minority interest consists of 8,000,000 series 1-A first preferred shares with a par value of \$25 each issued by BC Rail Ltd. These shares are designated as \$2.3125 cumulative, redeemable and retractable.

BC Rail Ltd. must make all reasonable efforts in each quarter to purchase for cancellation in the open market three-quarters of 1% of the series 1-A preferred shares outstanding at the beginning of the quarter at a price not to exceed \$25 per share and all transaction costs. If it is unable to fulfill its obligation in any calendar quarter the obligation will carry over only to the successive calendar quarters of the same calendar year and will thereafter be extinguished. During 1987 the company was unable to purchase shares at a price not exceeding \$25 per share. On June 1, 1989, these shares are retractable at par at the option of the holder.

5. SHARE CAPITAL

Authorized

10,000,000 shares with a par value of \$100 each.

Issued

2,576,885 shares are outstanding and held by the Province.

As all of the shares are held by the Province earnings per share have not been provided.

6. COMMITMENTS

The company has significant lease commitments for rolling stock and additional minor lease commitments for equipment and real estate which expire at various dates prior to the year 2003. Certain of these leases transfer substantially all of the benefits and risks of ownership to the company and are accounted for as capital assets.

The following is a schedule of future minimum rental payments at December 31, 1987 required under non-cancellable leases that have remaining terms in excess of one year (in thousands):

	<u>Capital Leases</u>	<u>Operating Leases</u>
1988	\$6,555	16,107
1989	6,555	15,274
1990	6,555	13,874
1991	6,555	12,500
1992	6,555	11,201
Later years	<u>49,698</u>	<u>28,165</u>
Total minimum lease payments	82,473	97,121
Less		=====
Executory costs	(3,739)	
Imputed interest	<u>(37,846)</u>	
Present value	\$40,888	
	=====	

Assets under capital leases recorded in the property and equipment accounts as at December 31, 1987 are as follows (in thousands):

Equipment	\$48,794
Accumulated depreciation	<u>13,955</u>
	\$34,839
	=====

As at December 31, 1987 the company had outstanding purchase commitments for the acquisition of land, material and equipment amounting to \$20 million.

7. CONTINGENT LIABILITIES

The company is contingently liable with respect to pending litigation and claims arising in connection with construction and in the normal course of business. In the opinion of management any liability that may arise will be capitalized or would not have a material adverse effect on future income.

8. GOVERNMENT ASSISTANCE

Government assistance was as follows (in thousands):

	<u>1987</u>	<u>1986</u>
Unapplied, beginning of year	\$ <u>767</u>	<u>239</u>
Contributions during the year		
From the Province		
Fort Nelson extension		
Operating	3,493	4,500
Rehabilitation	7,275	6,599
Passenger operation	2,500	2,400
Passenger car modernization	1,063	527
Flood Control	(110)	635
	<u>14,221</u>	<u>14,661</u>
From the Government of Canada		
Grain transportation	3,240	2,769
Rail line rehabilitation	0	6,250
Rail line electrification	<u>0</u>	<u>125</u>
	<u>17,461</u>	<u>23,805</u>
Total available	<u>18,228</u>	<u>24,044</u>
Applied as follows		
Revenue	3,240	2,769
Operating expenses	10,645	10,095
Property and equipment	<u>4,343</u>	<u>10,413</u>
	<u>18,228</u>	<u>23,277</u>
Unapplied, end of year	\$ 0	767
	=====	=====

9. INTEREST EXPENSE

Interest expense was as follows (in thousands):

	<u>1987</u>	<u>1986</u>
Interest on long-term debt and notes to the Province	\$ <u>8,254</u>	<u>9,675</u>
Less		
Sinking fund earnings	25	8
Interest earned on temporary investments	<u>1,420</u>	<u>1,077</u>
	<u>1,445</u>	<u>1,085</u>
	6,809	8,590
Interest on capital lease obligations	<u>5,030</u>	<u>5,097</u>
Net interest	\$11,839 =====	13,687 =====

10. INCOME TAXES

The effective tax rate differs from the rate of 51.6% applicable to British Columbia companies because the net income of British Columbia Railway Company and BCR Properties Ltd. is exempt from federal and provincial income taxes; however, the net income of BC Rail Ltd. is subject to federal and provincial income taxes.

11. PENSION PLAN

The company maintains a contributory defined benefit plan which covers substantially all of its employees. The plan provides pensions based on length of service and final average earnings. During 1987, the plan was amended to improve certain benefits. The amendment increased the liability as at December 31, 1987 for accrued pension benefits by approximately \$5 million and increased the pension expense for 1987 by approximately \$290,000.

A projection derived from an actuarial valuation of the plan as at May 31, 1986 indicates that the present value of the accrued pension benefits and the net assets available to provide for these benefits, as of December 31, 1987 are as follows:

Accrued pension benefits	\$157 million
Pension fund assets	\$163 million

12. RELATED PARTY TRANSACTIONS

Related party information not presented elsewhere in the Notes to financial statements is presented below.

First preferred shares of BC Rail Ltd. and certain capital lease obligations are guaranteed by the Province. The Ministry of Finance of the Province acts as fiscal agent and the Superannuation Commission of the Province administers the company pension plan. Fees are charged for these services.

Except as described in Note 10, the company is subject to all taxes levied by the Province other than property and capital taxes. All other transactions between the company and the Province are at terms no more or less favourable than those with unrelated parties.

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Chairman and Members of the
British Columbia Regional Hospital Districts
Financing Authority, and

To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have examined the statement of assets and liabilities of the British Columbia Regional Hospital Districts Financing Authority as at March 31, 1988 and the statements of financing and lending activities and changes in sinking funds for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1988 and the results of its operations and changes in sinking funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 17, 1988

EXHIBIT A

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

STATEMENT OF ASSETS AND LIABILITIES

AS AT MARCH 31, 1988

ASSETS

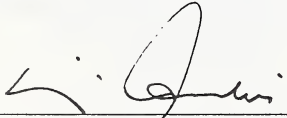
	In Thousands	
	<u>1988</u>	<u>1987</u>
Loans receivable (note 3)	\$ 978,048	\$ 949,530
Less: Sinking funds (note 5)	<u>261,858</u>	<u>267,010</u>
	716,190	682,520
Accrued interest receivable	<u>35,136</u>	<u>33,411</u>
	<u>\$ 751,326</u>	<u>\$ 715,931</u>

LIABILITIES

Term debt (note 4)	<u>\$1,082,332</u>	<u>\$1,022,886</u>
Less: Sinking funds (note 5)	261,858	267,010
Investments (note 6)	<u>104,284</u>	<u>73,356</u>
	<u>366,142</u>	<u>340,366</u>
	716,190	682,520
Accrued interest payable	<u>35,136</u>	<u>33,411</u>
	<u>\$ 751,326</u>	<u>\$ 715,931</u>

The seven accompanying notes are an integral part of these financial statements.

Approved by the Authority:


 Mel Couvelier, Chairman

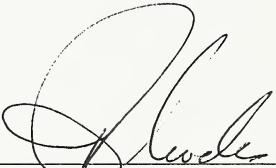

 Frank A. Rhodes, Secretary

EXHIBIT B

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

STATEMENT OF FINANCING AND LENDING ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 1988

	In Thousands	
	<u>1988</u>	<u>1987</u>
Funds generated from		
Interest on loans receivable	\$ 111,651	\$ 108,987
Interest on investments	6,891	3,407
Debentures issued	82,838	49,965
Sinking funds of matured debt	22,000	
Repayment of loans receivable	1,392	1,203
Assets transferred from sinking funds (note 6)	28,655	40,563
Write-up of investments to par value (note 6)	<u>2,273</u>	<u>2,937</u>
	<u>\$ 255,700</u>	<u>\$ 207,062</u>
Funds applied to		
Interest on term debt	\$ 118,542	\$ 112,394
Loans issued	82,838	49,965
Repayment of term debt	23,392	1,203
Loans receivable discharged (note 6)	<u>30,928</u>	<u>43,500</u>
	<u>\$ 255,700</u>	<u>\$ 207,062</u>

EXHIBIT C

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

STATEMENT OF CHANGES IN SINKING FUNDS

FOR THE YEAR ENDED MARCH 31, 1988

	In Thousands	
	<u>1988</u>	<u>1987</u>
Increase		
Instalments	\$ 24,948	\$ 25,093
Investment income	<u>24,171</u>	<u>28,066</u>
	<u>49,119</u>	<u>53,159</u>
Decrease		
Funds management fees (note 5)	123	184
Payment of excess assets of certified sinking funds (note 6)	2,637	8,367
Assets transferred to the Authority - at cost (note 6)	28,655	40,564
Accrued interest on assets transferred to the Authority	856	726
Maturity of term debt	<u>22,000</u>	<u> </u>
	<u>54,271</u>	<u>49,841</u>
Net increase (decrease) in Sinking Funds	(5,152)	3,318
Sinking Funds, Beginning of Year	<u>267,010</u>	<u>263,692</u>
Sinking Funds, End of Year	<u>\$ 261,858</u>	<u>\$ 267,010</u>

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

1. The Authority

The Authority was established by the Hospital District Finance Act, R.S.B.C. 1979, Chapter 179, as amended. Section 2 of the Act states that the purpose of the Authority is: "to assist in the financing of hospital projects, medical and health facilities, community human resources and health centres, and any other community, regional or Provincial facilities for the social improvement, welfare and benefit of the community or the general public good, approved by the Minister of Health".

The Authority provides assistance by making loans to Regional Hospital Districts and the Health Facilities Association. These loans are financed by, and have interest rates and maturity dates identical to, the borrowing of the Authority itself.

2. Significant accounting policies

a) Sinking fund investments

- i) Units in Province of British Columbia Pooled Investment Portfolios are carried at the lower of cost of acquisition, adjusted by income attributed to the units, and market value. Income attributed to the units represents the Authority's share of interest earned by the Portfolio and is realizable by the Authority upon the sale of units.
- ii) Long-term investments are valued at cost of acquisition adjusted by amortization of discounts and premiums on a constant yield basis over the term of the investments.

b) Certification of sinking funds

Investments purchased with the assets from certified sinking funds (see note 6) are recorded at par value. They are shown as a reduction of debt, as the specific purpose of these investments is essentially the same as that of a sinking fund.

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

3. Loans receivable

Certain loans receivable have early redemption provisions similar to those of the related debentures issued by the Authority.

4. Term debt

	In Thousands	
	<u>1988</u>	<u>1987</u>
Held by:		
Canada Pension Plan Investment Fund 6.62% to 17.51% debentures, due 1988 through 2008	\$1,005,301	\$ 937,994
Province of British Columbia Pension Funds 7.00% to 8.08% debentures, due 1990 through 1993	22,310	32,310
Province of British Columbia Boards, Agencies and Commissions 7.00% to 10.40% debentures, due 1991 through 2001	27,190	28,582
Province of British Columbia 6.79% to 10.25% debentures, due 1991 through 1997	27,531	12,000
General Public 11.375% debenture, due 1988		12,000
	<u>\$1,082,332</u>	<u>\$1,022,886</u>

Debentures issued to the Canada Pension Plan Investment Fund are redeemable in whole or in part before maturity, on six months' notice, at the option of the Minister of Finance of Canada, subject to certain restrictions.

Debentures totalling \$4,653,000 are redeemable in whole or in part before maturity at the option of the Minister of Finance and Corporate Relations, on thirty days' notice.

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

4. Term debt (continued)

Debentures totalling \$2,000,000 are redeemable in whole or in part, after 1994, at the option of the Chairman of the Authority.

Debentures maturing in the next five fiscal years are as follows:

1989	16,936,000
1990	18,920,000
1991	23,500,000
1992	22,928,000
1993	27,653,000

Repayment of these debentures will be fully funded by investments or sinking fund assets.

Sinking fund instalments due in the next five fiscal years are as follows:

1989	24,109,038
1990	24,109,038
1991	24,109,038
1992	24,109,038
1993	24,109,038

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on the debt of the Authority.

5. Sinking funds

In Thousands

	<u>1988</u>	<u>1987</u>
Cash	\$ 45	\$ 10
Units in Province of British Columbia		
Pooled Investment Portfolios	81,563	103,892
(Market value \$81,562,875 1987: \$104,301,424)		
Long-term investments	176,261	159,620
(Market value \$175,589,418 1987: \$167,243,477)		
Accrued interest	<u>4,020</u>	<u>3,533</u>
	261,889	267,055
Less: Accounts payable	<u>31</u>	<u>45</u>
	<u>\$261,858</u>	<u>\$267,010</u>

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

5. Sinking funds (continued)

Long-term investments include \$10,000,000 (1987: \$10,000,000) par value of debentures issued by the Authority.

Sinking fund instalments received from the Hospital Districts in respect of the debt to the Authority, together with the investment income earned thereon, are set aside in sinking funds maintained by the Trustee, the Minister of Finance and Corporate Relations. These funds provide for the retirement of the Hospital Districts' debt and in turn, for the retirement of the debt of the Authority at maturity.

Funds management fees have been charged to the sinking funds of the Authority by the Minister of Finance and Corporate Relations in accordance with Section 39(4) of the Financial Administration Act. These fees are based on the market value of sinking fund assets and are charged on a quarterly basis during the year.

6. Investments

	Par Value In Thousands	
	<u>1988</u>	<u>1987</u>
British Columbia Hydro and Power Authority Notes 6.62% to 6.92%, due 1988 and 1989	\$ 16,936	\$ 16,936
Province of British Columbia Notes 6.79% to 8.33%, due 1989 through 1993	<u>87,348</u>	<u>56,420</u>
	<u>\$104,284</u>	<u>\$ 73,356</u>

Certain investments have early redemption provisions similar to those of the related debentures issued by the Authority.

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

6. Investments (continued)

Under Section 8.1 of the Hospital District Finance Act, where a security is held by the Authority, and the Minister of Finance and Corporate Relations certifies that the assets of the related sinking fund are sufficient to meet all obligations respecting the payment of principal and interest under the security, the body who issued the security shall transfer the assets in the sinking fund to the Authority.

Upon transfer of the assets, the debt of the body is discharged, subject to conditions contained in the Minister's certificate. Where the Minister certifies that the assets of the sinking fund exceed what is required to meet the obligations of the security, the Authority shall pay the excess to the body who issued the security.

During the year ended March 31, 1988, loans receivable totalling \$30,928,000 (1987: \$43,500,000) were discharged. Investments with a cost of \$28,654,946 (1987: \$40,563,650) and a par value of \$30,928,000 (1987: \$43,500,000) were purchased with the assets from certified sinking funds. These investments have identical interest rates and maturity dates to the loans receivable they are replacing. They will be held until maturity and will be used to finance interest payments and capital repayment of the Authority's corresponding debt.

The Province of British Columbia has unconditionally guaranteed payment of principal and interest on British Columbia Hydro and Power Authority Notes.

7. Comparative figures

Certain 1987 comparative figures have been reclassified to conform to the presentation adopted in 1988.

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230


AUDITOR'S REPORT

To the Chairman and Members of the
British Columbia School Districts Capital Financing Authority, and

To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have examined the statement of assets and liabilities of the British Columbia School Districts Capital Financing Authority as at March 31, 1988 and the statements of financing and lending activities and changes in sinking funds for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1988 and the results of its operations and changes in sinking funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.


George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 24, 1988

EXHIBIT A

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

STATEMENT OF ASSETS AND LIABILITIES

AS AT MARCH 31, 1988

ASSETS

In Thousands

	<u>1988</u>	<u>1987</u>
Loans receivable (note 3)	\$1,270,588	\$1,301,811
Less: Sinking funds (note 5)	<u>444,725</u>	<u>466,815</u>
	825,863	834,996
Accrued interest receivable	<u>47,957</u>	<u>47,307</u>
	<u>\$ 873,820</u>	<u>\$ 882,303</u>

LIABILITIES

Term debt (note 4)	<u>\$1,499,487</u>	<u>\$1,516,937</u>
Less: Sinking funds (note 5)	444,725	466,815
Investments (note 6)	<u>228,899</u>	<u>215,126</u>
	<u>673,624</u>	<u>681,941</u>
	825,863	834,996
Accrued interest payable	<u>47,957</u>	<u>47,307</u>
	<u>\$ 873,820</u>	<u>\$ 882,303</u>

The eight accompanying notes are an integral part of these financial statements.

Approved by the Authority:


Mel Couvelief, Chairman


Frank A. Rhodes, Secretary

EXHIBIT B

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

STATEMENT OF FINANCING AND LENDING ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 1988

	In Thousands	
	<u>1988</u>	<u>1987</u>
Funds generated from		
Interest on loans receivable	\$139,349	\$140,051
Interest on investments	16,370	15,608
Debentures issued	59,060	42,707
Matured investments	76,395	72,596
Assets transferred from sinking funds (note 6)	82,229	34,306
Write-up of investments to par value (note 6)	<u>7,379</u>	<u>2,849</u>
	<u>\$380,782</u>	<u>\$308,117</u>
Funds applied to		
Interest on term debt	\$155,719	\$155,659
Loans issued	59,060	42,707
Repayment of term debt	76,395	72,596
Loans receivable discharged (note 6)	<u>89,608</u>	<u>37,155</u>
	<u>\$380,782</u>	<u>\$308,117</u>

EXHIBIT C

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

STATEMENT OF CHANGES IN SINKING FUNDS

FOR THE YEAR ENDED MARCH 31, 1988

	In Thousands	
	<u>1988</u>	<u>1987</u>
Increase		
Instalments	\$ 33,574	\$ 34,046
Investment income	<u>40,536</u>	<u>44,387</u>
	<u>74,110</u>	<u>78,433</u>
Decrease		
Funds management fees (note 5)	180	263
Transfer of excess assets of certified sinking funds to the School Districts (note 6)	12,190	4,272
Assets transferred to the Authority - at cost (note 6)	82,229	34,306
Accrued interest on assets transferred to the Authority	<u>1,601</u>	<u>648</u>
	<u>96,200</u>	<u>39,489</u>
Net increase (decrease) in Sinking Funds	(22,090)	38,944
Sinking Funds, Beginning of Year	<u>466,815</u>	<u>427,871</u>
Sinking Funds, End of Year	<u>\$444,725</u>	<u>\$466,815</u>

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

1. The Authority

The Authority was established by the School District Capital Finance Act, R.S.B.C. 1979, Chapter 376, as amended. Section 2 of the Act states that "the purpose of the Authority is to lend money to boards of school trustees of the school districts created under the School Act to finance their capital expenditures".

The loans made by the Authority to School Districts are financed by, and have interest rates and maturity dates identical to, the borrowing of the Authority itself, except as described in Note 7.

2. Significant accounting policies

a) Sinking fund investments

- i) Units in Province of British Columbia Pooled Investment Portfolios are carried at the lower of cost of acquisition, adjusted by income attributed to the units, and market value. Income attributed to the units represents the Authority's share of interest earned by the Portfolio and is realizable by the Authority upon the sale of units.
- ii) Long-term investments are valued at cost of acquisition adjusted by amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments.

b) Foreign currency translation

Assets and liabilities denominated in foreign currency have been translated to Canadian dollars at the rate prevailing at the balance sheet date.

Unrealized gains and losses arising on foreign currency translation are not deferred and amortized as they are fully offsetting and have no effect on the net financial position of the Authority.

c) Certification of sinking funds

Investments purchased with the assets from certified sinking funds (see note 6) are recorded at par value. They are shown as a reduction of debt, as the specific purpose of these investments is essentially the same as that of a sinking fund.

3. Loans receivable

Certain loans receivable have early redemption provisions similar to those of the related debentures issued by the Authority.

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

4. Term debt	In Thousands	
	<u>1988</u>	<u>1987</u>
Held by:		
Canada Pension Plan Investment Fund 6.40% to 17.51% debentures, due 1988 through 2008	\$1,346,664	\$1,287,604
Province of British Columbia 6.79% to 7.45% debentures, due 1989 through 1992	36,500	44,092
Province of British Columbia Pension Funds 6.93% to 12.75% debentures, due 1990 through 1993	63,899	67,454
Province of British Columbia Boards, Agencies and Commissions 6.79% to 11.00% debentures, due 1990 through 1996	30,700	35,602
General Public 7.91% to 16.875% debentures, due 1990 through 1993	<u>21,724</u>	<u>82,185</u>
	<u>\$1,499,487</u>	<u>\$1,516,937</u>

Term debt includes U.S. \$9,500,000 (1987: U.S. \$47,685,000).

Debentures issued to the Canada Pension Plan Investment Fund are redeemable in whole or in part before maturity, on six months' notice, at the option of the Minister of Finance of Canada, subject to certain restrictions.

Debentures maturing in the next five fiscal years are as follows:

1989	\$24,418,000
1990	50,819,000
1991	60,855,000
1992	51,723,950
1993	77,007,000

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

4. Term debt (continued)

Repayment of these debentures will be fully funded by investments or sinking fund assets.

Sinking fund instalments due in the next five fiscal years are as follows:

1989	\$34,411,114
1990	34,411,114
1991	34,411,114
1992	32,533,931
1993	31,784,495

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on the debt of the Authority.

5. Sinking funds

	In Thousands	
	<u>1988</u>	<u>1987</u>
Cash and short-term investments	\$ 3,093	\$ 5,372
Units in Province of British Columbia		
Pooled Investment Portfolios	117,053	157,237
(Market value \$117,052,461 1987: \$157,450,011)		
Long-term investments	321,684	297,259
(Market value \$320,979,051 1987: \$314,914,442)		
Accrued interest	<u>7,596</u>	<u>7,014</u>
	<u>449,426</u>	<u>466,882</u>
Less: Excess assets of certified sinking funds payable to School Districts	4,656	
Funds management fees payable	<u>45</u>	<u>67</u>
	<u>4,701</u>	<u>67</u>
	<u>\$444,725</u>	<u>\$466,815</u>

Long-term investments include \$26,000,000 (1987: \$27,251,000) par value of debentures issued by the Authority.

Sinking fund instalments received from the School Districts, together with the investment income earned thereon, are set aside in respect of their debt to the Authority, in sinking funds maintained by the Trustee, the Minister of Finance and Corporate Relations. These funds provide for the retirement of School Districts' debt and in turn, for the retirement of the debt of the Authority at maturity.

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

5. Sinking funds (continued)

Funds management fees have been charged to the sinking funds of the Authority by the Minister of Finance and Corporate Relations in accordance with Section 39(4) of the Financial Administration Act. These fees are based on the market value of sinking fund assets and are charged on a quarterly basis during the year.

6. Investments

	Par Value In Thousands	
	<u>1988</u>	<u>1987</u>
Province of British Columbia Notes 6.79% to 8.33%, due 1989 through 1993	\$194,481	\$104,873
British Columbia Hydro and Power Authority Notes 6.40% to 7.45%, due 1988 and 1989	34,418	94,253
British Columbia Buildings Corporation Notes 6.75% to 6.875%, matured 1987	<u> </u>	<u>16,000</u>
	<u>\$228,899</u>	<u>\$215,126</u>

Investments include U.S. \$ Nil (1987: \$38,185,000).

Certain investments have early redemption provisions similar to those of the related debentures issued by the Authority.

Under Section 8.1 of the School District Capital Finance Act, where a security of a School Board is held by the Authority, and the Minister of Finance and Corporate Relations certifies that the assets of the related sinking fund are sufficient to meet all obligations respecting the payment of principal and interest under the security, the Board who issued the security shall transfer the assets in the sinking fund to the Authority.

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

6. Investments (continued)

Upon transfer of the assets, the debt of the Board is discharged, subject to conditions contained in the Minister's certificate. Where the Minister certifies that the assets of the sinking fund exceed what is required to meet the obligations of the security, the Authority shall pay the excess to the School Board.

During the year ended March 31, 1988, loans receivable totalling \$89,608,000 (1987: \$37,155,000) were discharged. Investments with a cost of \$82,228,836 (1987: \$34,305,880) and a par value of \$89,608,000 (1987: \$37,155,000) were purchased with the assets from certified sinking funds. These investments have identical interest rates and maturity dates to the loans receivable they replaced. They will be held until maturity and will be used to finance interest payments and capital repayment of the Authority's corresponding debt.

The Province of British Columbia has unconditionally guaranteed payment of principal and interest on the notes issued by British Columbia Hydro and Power Authority and British Columbia Buildings Corporation.

7. Provision for recovery of exchange loss

In the fiscal year ended March 31, 1982, the Authority issued \$9,500,000 in debentures denominated in United States dollars, and lent the proceeds to School Districts in Canadian dollars.

As at March 31, 1988 the debt payable expressed in Canadian dollars exceeds the corresponding loan receivable by \$621,190 (1987: \$1,295,690). Under the terms of the School District Capital Finance Act Section 3(1), all expenses incurred by the Authority are recoverable from the School Districts. Accordingly, provision has been made for the recovery of the exchange loss from the School Districts. This provision is included in loans receivable.

8. Comparative Figures

Certain 1987 comparative figures have been reclassified to conform to the presentation adopted in 1988.

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.**Thorne Ernst & Whinney**

Chartered Accountants

Third Floor, Royal Bank Building
707 Fort Street
Victoria, British Columbia, Canada
V8W 3G3

(604) 382-8251

AUDITORS' REPORTTo the Shareholder of
British Columbia Steamship Company (1975) Ltd.

We have examined the consolidated balance sheet of British Columbia Steamship Company (1975) Ltd. as at December 31, 1987 and the consolidated statements of income, deficit, contributed surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles set out in the Summary of Significant Accounting Policies applied on a basis consistent with that of the preceding year.



January 22, 1988


BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

CONSOLIDATED BALANCE SHEET

ASSETS	December 31	
	1987	1986
CURRENT ASSETS		
Cash	\$ 111,098	\$ 125,866
Accounts receivable	112,337	54,282
Inventories	240,977	90,374
Prepaid expenses	84,207	56,989
	<u>548,619</u>	<u>327,511</u>
PROPERTY, PLANT AND EQUIPMENT (note 1)		
Vessels, equipment and leasehold improvements	22,697,225	8,537,014
Accumulated depreciation	5,908,776	4,460,066
	<u>16,788,449</u>	<u>4,076,948</u>
	<u>\$17,337,068</u>	<u>\$ 4,404,459</u>
LIABILITIES, CAPITAL STOCK, CONTRIBUTED SURPLUS AND DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 894,085	\$ 305,675
Vessel lease payable (note 5)	-	1,935,910
Promissory notes and accrued interest payable (note 2)	7,193,566	6,012,675
Total liabilities	<u>8,087,651</u>	<u>8,254,260</u>
CAPITAL STOCK, CONTRIBUTED SURPLUS AND DEFICIT		
Capital stock		
5 Common shares (note 3)	5	5
Contributed surplus	17,593,546	5,684,094
Deficit (note 4)	(8,344,134)	(9,533,900)
	<u>9,249,417</u>	<u>(3,849,801)</u>
	<u>\$17,337,068</u>	<u>\$ 4,404,459</u>

Commitments (note 6)
Subsequent event (note 7)

APPROVED BY THE BOARD:

 Director
 Director

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

CONSOLIDATED STATEMENT OF INCOME

	Year ended December 31	
	1987	1986
Revenue		
Passengers	\$ 4,919,556	\$ 4,148,486
On-board services (Schedule)	4,406,078	2,895,873
Vehicles	1,350,683	600,626
Other	180,826	106,276
	<u>10,857,143</u>	<u>7,751,261</u>
Operating expenses		
On-board services (Schedule)		
Cost of sales	1,061,583	869,517
Operating expenses	<u>1,683,741</u>	<u>1,063,737</u>
	2,745,324	1,933,254
Ship operating expenses		
Deck	896,963	533,116
Engine room	1,146,309	702,998
Ship general	895,708	685,601
Fuel	1,235,748	1,091,306
Refit	901,391	900,300
Seattle terminal	678,383	805,240
Victoria terminals	<u>522,657</u>	<u>380,853</u>
	9,022,483	7,032,668
Income before non-operating expenses	<u>1,834,660</u>	<u>718,593</u>
Non-operating expenses		
Administration	704,754	613,576
Selling	1,136,153	548,890
Commissions	116,313	77,897
Interest	465,423	497,351
Depreciation, net of amortization of contributed surplus	<u>158,161</u>	<u>126,175</u>
	2,580,804	1,863,889
LOSS FOR THE YEAR	<u>\$ 746,144</u>	<u>\$ 1,145,296</u>

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

CONSOLIDATED STATEMENT OF DEFICIT

	Year ended December 31	
	1987	1986
Deficit at beginning of year (note 4)	\$ 9,533,900	\$ 8,388,604
Grant from the shareholder, the Province of British Columbia (note 5)	(1,935,910)	-
Loss for the year	<u>746,144</u>	<u>1,145,296</u>
DEFICIT AT END OF YEAR	<u>\$ 8,344,134</u>	<u>\$ 9,533,900</u>

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

	Year ended December 31	
	1987	1986
Contributed surplus at beginning of year	\$ 5,684,094	\$ 6,053,467
Grant from the shareholder, the Province of British Columbia (note 5)	13,200,000	-
Amortization	<u>(1,290,548)</u>	<u>(369,373)</u>
CONTRIBUTED SURPLUS AT END OF YEAR	<u>\$17,593,546</u>	<u>\$ 5,684,094</u>

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended December 31	
	1987	1986
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Loss for the year	\$ (746,144)	\$(1,145,296)
Depreciation, which does not involve cash	158,161	126,175
Grant funded expenses	(14,090)	-
Changes in non-cash operating working capital		
Accounts receivable	(58,054)	18,280
Inventories	(150,603)	11,278
Prepaid expenses	(27,218)	664
Accounts payable and accrued liabilities	588,410	61,842
Vessel lease payable	(1,935,910)	-
	(2,185,448)	(927,057)
FINANCING		
Increase in promissory notes and accrued interest payable	1,180,891	1,066,422
INVESTMENTS		
Purchase of property, plant and equipment	(14,160,211)	(127,370)
GRANTS		
Grant from the shareholder, the Province of British Columbia	15,150,000	-
INCREASE (DECREASE) IN CASH POSITION	(14,768)	11,995
Cash position at beginning of year	125,866	113,871
CASH POSITION AT END OF YEAR	\$ 111,098	\$ 125,866

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1987

GENERAL

The company is incorporated under the Canada Business Corporations Act and its principal business activity is the provision of passenger and car ferry service between Seattle, Washington, and Victoria, British Columbia. During 1987, the operating season started on May 9 (1986 - May 3) and finished on October 4 (1986 - October 12).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements are prepared in accordance with generally accepted accounting principles except that contributed surplus recorded on the receipt of grants from the shareholder, the Province of British Columbia, used to fund asset acquisitions are being amortized to earnings at the same rate as the related assets are being depreciated.

Principles of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, British Columbia Steamship Company Inc.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of 1981 major refurbishing of the vessel, Princess Marguerite, was capitalized and is being depreciated on the straight-line basis over fifteen years. The original cost of the vessel had previously been depreciated to its 1979 scrap value. The original cost and the 1987 major refurbishing of the vessel, Vancouver Island Princess, was capitalized and is being depreciated on the straight-line basis over fifteen years. The leasehold improvements are depreciated on the straight-line basis over terms which range from four to ten years. Other property, plant and equipment are depreciated on the diminishing balance method at the annual rates indicated in note 1.

Refit

The company carries out an annual refit of the vessels in the off-season. These annual refit costs are an expense in the year incurred.

Translation of foreign currency

- (i) Monetary assets and liabilities are translated into Canadian dollars at rates of exchange in effect at the year-end.
- (ii) Property, plant and equipment are translated into Canadian dollars at average rates of exchange prevailing in the year in which assets were acquired.
- (iii) Revenues and expenses are translated into Canadian dollars at the average rate of exchange for the year with the exception of depreciation, which reflects historic rates used for the related assets.

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. PROPERTY, PLANT AND EQUIPMENT

	Rate	1987			1986
		Cost	Accumulated depreciation	Net	Net
Vessels					
Princess Marguerite		\$ 6,977,196	\$3,542,522	\$ 3,434,674	\$3,788,962
Vancouver Island Princess		11,919,094	794,606	11,124,488	-
Automotive equipment	30%	28,749	22,514	6,235	1,753
Furniture and fixtures					
on shore	20%	28,569	20,357	8,212	5,229
Radio equipment	25%	53,331	44,957	8,374	8,600
Vessel equipment	20%	790,030	545,944	244,086	158,137
Tools	100%	7,535	7,535	-	-
Cutlery, china and linen	100%	44,783	44,783	-	-
Leasehold improvements					
Victoria - Belleville		119,096	106,742	12,354	1,215
- Ogden Point		1,701,083	170,108	1,530,975	-
Seattle		1,027,759	608,708	419,051	-
Construction in progress		-	-	-	113,052
		<u>\$22,697,225</u>	<u>\$5,908,776</u>	<u>\$16,788,449</u>	<u>\$4,076,948</u>

The vessels are shown as assets of the company even though title rests with Her Majesty the Queen in Right of the Province of British Columbia. Operation of the company is dependent on government policy relating to availability of the vessels and funding of operations. A change in government policy affecting the services provided by the company would have a material impact on these financial statements, the effect of which is not determinable at this time.

2. PROMISSORY NOTES AND ACCRUED INTEREST PAYABLE

	1987	1986
Promissory notes	\$ 7,102,607	\$ 5,972,508
Accrued interest	<u>90,959</u>	<u>40,167</u>
	<u>\$ 7,193,566</u>	<u>\$ 6,012,675</u>

The promissory notes are payable to the shareholder, the Province of British Columbia, with interest at various rates ranging from 8.01% to 8.75%.

3. CAPITAL STOCK

The company is limited by its articles to issuing a maximum of 55,000 common shares.

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. DEFICIT

In 1986 the company changed its method of accounting for the portion of contributed surplus used to fund asset acquisitions. Whereas this amount was formerly unamortized, it is now being amortized to earnings as depreciation is recorded on the related assets. This change was applied retroactively and decreased the amounts previously reported for contributed surplus and deficit by \$1,846,863.

5. GRANT

During the year the company received a grant from the shareholder, the Province of British Columbia, in the amount of \$15,150,000 applied as follows:

Acquisition of the Vancouver Island Princess	
and terminal modifications	
Capital costs	\$13,200,000
Expenses	14,090
	<u>13,214,090</u>
Retirement of amount payable for vessel lease costs	
expensed in a prior year	<u>1,935,910</u>
	<u>\$15,150,000</u>

6. COMMITMENTS

The company rents the terminal facilities in Seattle under a long-term lease which expires in 1992, with an option to renew for an additional five years. The annual rental until 1992 is \$124,700 U.S. funds. The rental expense under this lease in the current period is \$165,164 Canadian funds.

The company rents the Belleville terminal facilities in Victoria under long-term leases which expire in 1991 and 1994, the annual rental for which is \$24,560.

The company has constructed and operates a terminal at Ogden Point in Victoria and management is currently negotiating final terms and conditions of a lease agreement. Based on management estimates an amount for the current year's rent has been provided for in these consolidated financial statements.

7. SUBSEQUENT EVENT

As part of its program of government restructuring, the Province of British Columbia announced in February 1988 that it intends to seek private sector participation in the operations of the company and has invited interested parties to submit expressions of their interest.

The possible effects on the future operations of the company are not determinable at this time.

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

SCHEDULE OF ON-BOARD SERVICES

	Year ended December 31	
	1987	1986
Catering services		
Revenue	\$ 1,559,640	\$ 1,327,866
Cost of sales	401,759	328,004
Operating expenses	869,263	651,818
Income	<u>288,618</u>	<u>348,044</u>
Lounges		
Revenue	593,685	442,458
Cost of sales	71,909	51,134
Operating expenses	297,944	203,048
Income	<u>223,832</u>	<u>188,276</u>
Newsstands		
Revenue	478,428	501,935
Cost of sales	256,204	248,065
Operating expenses	70,579	74,369
Income	<u>151,645</u>	<u>179,501</u>
Duty-free shops		
Revenue	655,650	494,462
Cost of sales	331,711	242,314
Operating expenses	97,281	79,691
Income	<u>226,658</u>	<u>172,457</u>
Dayrooms		
Revenue	97,990	129,152
Operating expenses	49,669	54,811
Income	<u>48,321</u>	<u>74,341</u>
Casinos		
Revenue	1,020,685	-
Operating expenses	299,005	-
Income	<u>721,680</u>	<u>-</u>
TOTAL ON-BOARD SERVICES		
Revenue	4,406,078	2,895,873
Cost of sales	1,061,583	869,517
Operating expenses	<u>1,683,741</u>	<u>1,063,737</u>
Income	<u>\$ 1,660,754</u>	<u>\$ 962,619</u>

BRITISH COLUMBIA SYSTEMS CORPORATION

Thorne Ernst & Whinney

Chartered Accountants

Third Floor, Royal Bank Building
707 Fort Street
Victoria, British Columbia, Canada
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AUDITORS' REPORT

The Honourable Elwood N. Veitch
Provincial Secretary and
Minister of Government Services
Minister of State for Mainland/Southwest Region
Province of British Columbia

We have examined the balance sheet of British Columbia Systems Corporation as at March 31, 1988 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Ernst & Whinney

May 26, 1988

BRITISH COLUMBIA SYSTEMS CORPORATION

BALANCE SHEET

(expressed in thousands)

ASSETS	March 31	
	1988	1987
CURRENT ASSETS		
Cash	\$ 456	\$ 234
Accounts receivable	5,245	3,694
Prepaid expenses	482	311
	<u>6,183</u>	<u>4,239</u>
FIXED ASSETS (note 1)		
Land	6,917	6,917
Building	31,659	31,377
Computer and ancillary equipment	37,726	32,270
Furniture and fixtures	1,938	1,868
Leasehold improvements	174	170
	<u>78,414</u>	<u>72,602</u>
Accumulated depreciation and amortization	23,102	13,229
	<u>55,312</u>	<u>59,373</u>
OTHER ASSETS		
Deferred bond discount and issue costs	151	196
	<u>\$ 61,646</u>	<u>\$ 63,808</u>

APPROVED BY THE BOARD:

B. Bayes Director

W. Curran Director

LIABILITIES AND RETAINED EARNINGS	March 31	
	1988	1987
CURRENT LIABILITIES		
Notes payable, Province of British Columbia (note 3)	\$ 8,989	\$ 4,472
Accounts payable and accrued liabilities	6,558	5,984
Deferred revenue	553	215
Current portion of long-term debt (note 4)		
Lease capitalization	451	535
Other	929	929
Contractual liability for computer and ancillary equipment (note 5)	547	9,908
	<u>18,027</u>	<u>22,043</u>
LONG-TERM DEBT (note 4)		
Lease capitalization	218	1,338
Other	36,593	37,850
	<u>36,811</u>	<u>39,188</u>
RETAINED EARNINGS (note 10)	<u>6,808</u>	<u>2,577</u>
	<u>\$ 61,646</u>	<u>\$ 63,808</u>

Commitments (note 11)
Contingencies (note 13)

BRITISH COLUMBIA SYSTEMS CORPORATION

STATEMENT OF INCOME AND RETAINED EARNINGS
(expressed in thousands)

	Year ended March 31	
	1988	1987
Revenue		
Processing (note 6)	\$ 28,284	\$ 32,678
Network	8,119	6,753
Labour	3,228	2,534
Services purchased for clients, net	2,238	2,135
Interest and other	1,485	1,996
	<u>43,354</u>	<u>46,096</u>
Expenses		
Employee (note 7)	10,781	8,573
Facilities management fees (note 8)	3,781	5,561
Administrative and general	3,949	3,428
Depreciation and amortization	10,235	9,014
Equipment rental and maintenance	7,468	8,271
Interest on debt (note 4)	6,709	8,536
Total expenses before contribution	<u>42,923</u>	<u>43,383</u>
Contribution from Province of British Columbia (note 9)	<u>(3,800)</u>	<u>-</u>
Net expenses	<u>39,123</u>	<u>43,383</u>
NET INCOME (note 10)	4,231	2,713
Retained earnings (deficit) at beginning of year	<u>2,577</u>	<u>(136)</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 6,808</u>	<u>\$ 2,577</u>

BRITISH COLUMBIA SYSTEMS CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION
(expressed in thousands)

	Year ended March 31	
	1988	1987
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Net income	\$ 4,231	\$ 2,713
Items not involving cash		
Depreciation and amortization	10,462	9,340
Deferred foreign exchange translation loss	-	628
Deferred bond discount and issue costs	45	(196)
Gain on disposal of fixed assets	(193)	(302)
Change in non-cash operating working capital	(810)	5,822
	<u>13,735</u>	<u>18,005</u>
FINANCING		
Long-term debt reductions	(2,461)	(31,470)
Additions to long-term debt	-	16,000
Short-term borrowings, net of repayments	4,517	2,472
	<u>2,056</u>	<u>(12,998)</u>
INVESTMENTS		
Additions to fixed assets	(7,028)	(23,511)
Proceeds from disposal of fixed assets	820	6,894
Change in contractual liability for computer and ancillary equipment	(9,361)	9,810
	<u>(15,569)</u>	<u>(6,807)</u>
INCREASE (DECREASE) IN CASH POSITION	222	(1,800)
Cash at beginning of year	<u>234</u>	<u>2,034</u>
CASH AT END OF YEAR	<u>\$ 456</u>	<u>\$ 234</u>

BRITISH COLUMBIA SYSTEMS CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1988

GENERAL

British Columbia Systems Corporation is incorporated as a Crown Corporation of the Province of British Columbia under the System Act R.S.B.C. 1979, whose mandate is to advance the effective and efficient use of information systems in the British Columbia public sector. As a service organization within government, British Columbia Systems Corporation provides shared computer processing, data and voice communication and selected professional services on a competitive basis. In 1987/88, the Corporation received 90% of its revenues from Provincial Government Ministries, with the balance from other government entities.

On October 23, 1987, the Government of British Columbia announced plans to offer all or part of the Corporation for sale to the private sector. Also, during the year, the Corporation has assumed the responsibility for the coordination and management of telecommunications services for the Provincial Government.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement presentation

As prescribed by Section 9(6) of the System Act, the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles.

Accrual accounting

The accrual method of accounting is used in the preparation of these financial statements. Accordingly, revenues are recorded in the period they are earned and expenditures are recorded in the period they are incurred.

Fixed assets

The Corporation leases some of its computer equipment. Certain of these leases, however, transfer the benefits and risks incident to ownership to the Corporation. In such cases, as more fully described in notes 1 and 4, the leases have been capitalized.

The cost of fixed assets is depreciated and amortized over their estimated useful lives as follows:

Building	Over forty years on a straight-line basis
Building equipment	Over twenty years on a straight-line basis
Computer mainframes	Over terms up to four years on an annuity basis
Other computer and ancillary equipment	Over terms up to three years on a straight-line basis
Furniture and fixtures	Over ten years on a straight-line basis
Leasehold improvements	Over terms of leases on a straight-line basis

BRITISH COLUMBIA SYSTEMS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from resource billing is recognized as the services are performed. Revenue from fixed price contracts is recognized over the terms of the respective contracts.

Income taxes

The Corporation is exempt from Federal and Provincial income taxes.

Sinking funds

Payments made to sinking funds with respect to retirement provisions of the sinking fund bonds and debentures are netted against long-term debt until such time as the bonds or debentures are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

Amortization of other assets

Discount and issue costs relating to the Province of British Columbia bond Series BCSC-M are deferred and amortized on a straight-line basis over the term of the bond.

1. FIXED ASSETS

- (a) During the year, the Corporation acquired fixed assets totalling \$7,028,000 (computer and ancillary equipment - \$6,668,000). The Corporation also disposed of fixed assets with a gross book value of \$1,217,000 (computer and ancillary equipment - \$1,212,000).
- (b) Included in fixed assets is computer equipment arising from the capitalization of certain leases at a cost of \$1,254,000 (1986/87 - \$2,469,000). The related accumulated depreciation amounts to \$778,000 (1986/87 - \$868,000).

2. BORROWING AUTHORITY

Pursuant to Section 8(6) of the System Act, the Corporation may be advanced or borrow up to \$65,000,000. In computing that amount, the aggregate net rentals payable by the Corporation under leases of personal property for a term exceeding one year shall be excluded.

3. NOTES PAYABLE, PROVINCE OF BRITISH COLUMBIA

These consist of short-term notes bearing interest at rates ranging from 8.40% to 8.73% and maturing at various dates to July 28, 1988.

BRITISH COLUMBIA SYSTEMS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT

(a) Lease capitalization

The minimum annual contractual obligations with respect to capitalized leases are as follows:

1988/89	\$ 514,000
1989/90	231,000
	<u>745,000</u>
Less imputed interest at an average annual rate of 14.4%	76,000
Capitalized lease obligations	<u>669,000</u>
Less current portion	<u>451,000</u>
Long-term portion	<u>\$ 218,000</u>

(b) Other

	<u>Interest rate</u>	<u>Maturity date</u>	<u>Amount</u>
Canada Pension Plan debentures			
Series 1	15.69%	June 2001	\$14,007,000
Series 2	16.10%	March 2002	12,500,000
Province of British Columbia bond			
Series BCSC-M	9.00%	August 1991	<u>16,000,000</u>
			42,507,000
Less sinking funds on deposit with the Minister of Finance for British Columbia (1986/87 - \$3,728,000)			<u>4,985,000</u>
			37,522,000
Less current portion			<u>929,000</u>
Long-term portion			<u>\$36,593,000</u>

Mandatory sinking fund requirements in respect of the above debt for each of the next five years and thereafter are as follows:

	<u>CPP S-1 & 2</u>	<u>Bond BCSC-M</u>	<u>Total</u>
1988/89	\$ 579,000	\$ 350,000	\$ 929,000
1989/90	579,000	350,000	929,000
1990/91	579,000	350,000	929,000
1991/92	579,000	14,582,000	15,161,000
1992/93	579,000	-	579,000
Thereafter	<u>18,995,000</u>	<u>-</u>	<u>18,995,000</u>
	<u>\$21,890,000</u>	<u>\$15,632,000</u>	<u>\$37,522,000</u>

The Province of British Columbia has guaranteed the payment of principal and interest on all long-term debt, with the exception of capitalized leases as in (a) above, issued by the Corporation.

BRITISH COLUMBIA SYSTEMS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

(c) Interest expense

Interest expense on long-term debt for fiscal 1987/88 was \$5.8 million (1986/87 - \$8.4 million).

5. CONTRACTUAL LIABILITY FOR COMPUTER EQUIPMENT

The contractual liability incurred at March 31, 1987 for the acquisition of computer and ancillary equipment was financed through short-term borrowings in fiscal 1987/88 as described in note 3.

6. PROCESSING

Machine processing revenue was reduced by \$4.4 million or 13% from the previous year, mainly due to a 30% mainframe rate reduction implemented in the current fiscal year. The impact of this rate decrease has been substantially offset by the increased volume in machine processing.

7. EARLY RETIREMENT PLAN

During the year, the Government of British Columbia announced an Early Retirement Incentive Plan for employees eligible to retire prior to April 1, 1988. The Board of Directors of the Corporation approved a plan parallel to that offered by the Government. The cost of the plan (\$535,000) has been provided for in these financial statements.

8. FACILITIES MANAGEMENT CONTRACT

On October 1, 1987, the Corporation agreed to a one-year extension of the Facilities Management Contract. Negotiations on a further extension of the contract term after September 30, 1988 are currently in process.

9. CONTRIBUTION FROM THE PROVINCE OF BRITISH COLUMBIA

In 1987/88, the Province of British Columbia agreed to provide assistance of \$3.8 million per annum toward the costs of the building incurred by the Corporation. This assistance will terminate March 31, 2002.

BRITISH COLUMBIA SYSTEMS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

10. NET INCOME

Pursuant to Section 8(5) of the System Act, the Lieutenant-Governor in Council may, each fiscal year, on the recommendation of the Minister of Finance, direct the transfer to the Government of all or part of the net income for the current year or for previous years to the extent not previously so transferred.

11. LEASE COMMITMENTS

The Corporation leases some of its premises and computer equipment for periods of up to five years.

The minimum annual contractual obligations of non-cancellable leases are as follows (excluding amounts relating to capitalized leases):

1988/89	\$274,000
1989/90	194,000
1990/91	160,000
1991/92	33,000

12. PENSION AND SUPERANNUATION PLANS

Until the Corporation establishes a pension or superannuation plan, the Public Service Superannuation Act applies to the Corporation and its officers and employees. The Corporation is obliged to contribute to the Public Service Superannuation Fund.

13. CONTINGENCIES

- (a) At March 31, 1988, there are claims and potential claims against the Corporation in respect of management remuneration matters pertaining to prior years. The Corporation is unable to determine the extent of the liability, if any, which may result from these claims and potential claims.
- (b) The Corporation is obligated under the Facilities Management Contract (note 8) to cover certain employee termination costs should the contract not be renewed. The Corporation is unable to determine the extent of the liability, if any, which may result from this obligation.

No liability has been reflected in these financial statements in respect of these contingent matters. Should a liability arise in the future, the expense will be charged to income in the period in which the settlement occurs.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the method of presentation adopted in the current fiscal year.

BRITISH COLUMBIA TRANSIT**Thorne Ernst & Whinney**

Chartered Accountants

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File Ref.

AUDITORS' REPORT

To the Members of the Board of Directors of
British Columbia Transit

We have examined the balance sheet of British Columbia Transit as at March 31, 1988 and the statements of revenue and expenditures and accumulated net revenue, contributed surplus, changes in financial position and changes in regional transit funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

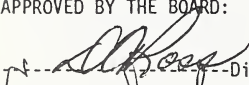

In our opinion, these financial statements present fairly the financial position of British Columbia Transit as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Thorne Ernst & Whinney

May 27, 1988

BRITISH COLUMBIA TRANSIT

BALANCE SHEET

	March 31	
	1988	1987
	(\$000)	(\$000)
ASSETS		
CURRENT ASSETS		
Accounts receivable		
Province of British Columbia	\$ 9,650	\$ 9,119
Municipalities	22,336	20,132
Sundry	7,126	7,920
Mortgage receivable	700	2,381
Parts inventory	9,494	10,549
Prepaid expenditures	3,938	3,149
	53,244	53,250
10% MORTGAGE RECEIVABLE	-	700
LONG-TERM DEBT SINKING FUND	32,189	20,645
FIXED ASSETS		
Land, buildings and equipment (note 3)	239,762	236,396
SkyTrain (notes 4 and 9)	981,488	999,352
Capital projects in progress (note 5)	123,262	54,140
	1,344,512	1,289,888
	\$1,429,945	\$1,364,483
	=====	=====
REGIONAL TRANSIT FUNDS		
Cash and term deposits	\$ 19,156	\$ 26,332
Accounts receivable and accrued interest	4,720	2,247
	\$ 23,876	\$ 28,579
	=====	=====
APPROVED BY THE BOARD:		
 Director		
 Director		

	March 31	
	1988	1987
	-----	-----
	(\$000)	(\$000)
LIABILITIES, EQUITY AND FUND BALANCES		
CURRENT LIABILITIES		
Cheques issued in excess of funds on deposit	\$ 807	\$ 4,680
Accounts payable and accrued liabilities	71,597	58,397
Payable to contractors	2,823	2,559
Notes payable (note 6)	114,925	378,028
Current portion of long-term debt	16,419	9,259
Current obligations under capital leases	5,651	5,666
	-----	-----
	212,222	458,589
	-----	-----
LONG-TERM DEBT (note 7)	784,679	514,095
	-----	-----
OBLIGATIONS UNDER CAPITAL LEASES (note 8)	221,105	177,095
	-----	-----
EQUITY		
Contributed Surplus	209,387	212,444
Accumulated net revenue	2,552	2,260
	-----	-----
	211,939	214,704
	-----	-----
	\$1,429,945	\$1,364,483
	=====	=====
CONTINGENT LIABILITIES (note 9)		
Payable to British Columbia Transit	\$ 20,312	\$ 18,443
Fund Balances	3,564	10,136
	-----	-----
	\$ 23,876	\$ 28,579
	=====	=====

BRITISH COLUMBIA TRANSIT

STATEMENT OF REVENUE AND EXPENDITURES AND ACCUMULATED NET REVENUE

	Year ended March 31	
	1988	1987
	(\$000)	(\$000)
Revenue		
Operations	\$ 105,596	\$ 121,308
Interest	2,284	1,575
	107,880	122,883
Expenditures		
Operations and maintenance	185,687	188,821
Administration	25,292	26,934
Interest on long-term debt	80,615	55,666
Interest on obligations under capital leases	20,929	18,772
Other interest	9,822	34,407
Depreciation and amortization	24,829	22,634
Property leases and taxes	5,553	5,116
	352,727	352,350
	(244,847)	(229,467)
Recoveries		
Contributions from the Province of British Columbia	117,531	119,530
Contributions from municipalities	82,578	63,891
Provincial grant - debt servicing assistance	41,690	43,958
Amortization of contributed surplus to offset depreciation charged on contributed assets	3,048	2,088
	244,847	229,467
NET REVENUE FROM TRANSIT OPERATIONS	-	-
Other		
Realization of contributed surplus on disposal of contributed assets	1,955	2,433
Loss on disposal of fixed assets	(1,513)	(2,195)
Miscellaneous	(150)	(161)
	292	77
NET REVENUE	292	77
Accumulated net revenue at beginning of year	2,260	2,183
ACCUMULATED NET REVENUE AT END OF YEAR	\$ 2,552	\$ 2,260
	=====	=====

BRITISH COLUMBIA TRANSIT

STATEMENT OF CONTRIBUTED SURPLUS

	Year ended March 31	
	1988	1987
	-----	-----
	(\$000)	(\$000)
APPRAISAL INCREASE CREDITS		
Balance at beginning of year	\$196,724	\$209,494
Reappraisal of revenue vehicles	1,950	
Amount transferred to statement of revenue and expenditures and accumulated net revenue to offset depreciation charged on contributed assets	(3,048)	(2,088)
Reduction on disposition of contributed assets	(5,299)	(10,682)
	-----	-----
	190,327	196,724
OTHER CONTRIBUTED SURPLUS		
Balance at beginning of year	15,720	2,285
Increase on disposition of contributed assets	3,340	13,435
	-----	-----
	19,060	15,720
	-----	-----
BALANCE AT END OF YEAR	\$209,387	\$212,444
	=====	=====

BRITISH COLUMBIA TRANSIT

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended 1988	March 31 1987
	----- (\$000)	----- (\$000)
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Net revenue	\$ 292	\$ 77
Items not involving cash		
Depreciation and amortization	24,829	22,634
Amortization of bond discount	686	634
Amortization of contributed surplus to offset depreciation charged on contributed assets	(3,048)	(2,088)
Realization of contributed surplus on disposal of contributed assets	(1,955)	(2,433)
Loss on disposal of fixed assets	1,513	2,195
	-----	-----
	22,317	21,019
Changes in non-cash operating working capital		
Accounts receivable	(1,941)	(15,247)
Parts inventory	1,055	(820)
Prepaid expenditures	(789)	(492)
Accounts payable and accrued liabilities	13,464	(33,205)
Deferred revenue	-	(1,253)
	-----	-----
	34,106	(29,998)
FINANCING		
Proceeds on capital leases of vehicles and equipment	48,916	-
Principal repayments on obligations under capital leases	(4,921)	(5,626)
Increase (decrease) in		
Notes payable	(263,103)	(15,775)
Long-term debt	277,058	91,097
Long-term debt sinking fund	(11,544)	(8,684)
Decrease (increase) in mortgage receivable	2,381	(2,381)
	-----	-----
	48,787	58,631
INVESTMENTS		
Proceeds from sale of fixed assets	3,648	13,697
Additions to		
Land, buildings and equipment	(13,546)	(9,133)
Capital projects in progress	(69,122)	(36,138)
	-----	-----
	(79,020)	(31,574)
INCREASE (DECREASE) IN CASH DEFICIENCY	(3,873)	2,941
Cash deficiency at beginning of year	4,680	1,739
CASH DEFICIENCY AT END OF YEAR	----- \$ 807	----- \$ 4,680
	=====	=====

BRITISH COLUMBIA TRANSIT

STATEMENT OF CHANGES IN REGIONAL TRANSIT FUNDS

	Vancouver	Victoria	Total	
			Year ended March 31	
			1988	1987
	(\$000)	(\$000)	(\$000)	(\$000)
FUND BALANCE AT BEGINNING OF YEAR	\$ 7,830	\$ 2,306	\$ 10,136	\$ 6,613
Revenue				
Gas tax	36,386	-	36,386	14,651
Non-residential property tax	19,994	-	19,994	28,759
Power levy	9,238	3,836	13,074	18,099
Interest earned	1,979	259	2,238	2,116
	67,597	4,095	71,692	63,625
	75,427	6,401	81,828	70,238
Contribution to shareable deficit	(75,023)	(3,241)	(78,264)	(60,102)
FUND BALANCE AT END OF YEAR	\$ 404	\$ 3,160	\$ 3,564	\$ 10,136
	=====	=====	=====	=====

BRITISH COLUMBIA TRANSIT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1988

1. AUTHORITY

British Columbia Transit ("BC Transit") is established under the British Columbia Transit Act, as amended, to operate the urban transit systems in the Province of British Columbia.

In accordance with the Vancouver and Victoria regional transit commission regulations, BC Transit is responsible for the administration of all funds raised by certain tax levies. The financial position and changes during the year in these funds are set out in the Statement of Changes in Regional Transit Funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with accounting principles appropriate for BC Transit. These principles are in conformity with generally accepted accounting principles appropriate for commercial enterprises, with the exceptions identified in notes 2(b) and (e).

(a) Parts inventory

Parts inventory is valued at the lower of cost and replacement value. Cost is determined using the average cost method. Certain parts inventory was acquired from B.C. Hydro in 1980 at a nominal cost. At the time of its acquisition, this inventory was valued at its average cost to B.C. Hydro with the difference being credited to contributed surplus.

(b) Fixed assets

Fixed assets have been recorded as follows:

- (i) Fixed assets transferred from the Province of British Columbia in fiscal year 1980, at their appraised value at June 30, 1979.
- (ii) Revenue vehicles acquired from B.C. Hydro, at their appraised value at March 1, 1980.
- (iii) Seabuses, the South Shore and North Shore Seabus Terminals, acquired from the Province of British Columbia, at appraised value. The Seabuses were originally appraised at July 15, 1980. At August 18, 1987 they were reappraised by Robert Allan Ltd., as a result of which, fixed assets and contributed surplus were both increased by \$1,950,000. The other appraisals were carried out at various dates between July 15, 1980 and June 30, 1981.

BRITISH COLUMBIA TRANSIT

NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Fixed assets (Continued)

- (iv) The trolley overhead system acquired from B.C. Hydro on January 1, 1984 at its nominal value of \$1.
- (v) Land, land improvements, buildings and equipment acquired from B.C. Hydro, at appraised value. These appraisals were carried out at various dates between April 1, 1980 and April 1, 1982.

All appraisals are fair market value appraisals with the exception of the appraisal of other buildings and land improvements, which are appraised at depreciated replacement cost.

- (vi) All construction and testing costs related to the SkyTrain have been capitalized. These costs include net interest expenditures as indicated in note 2(c), the costs incurred in testing the service reliability of the Vancouver/New Westminster phase of the SkyTrain system to March 31, 1986 and the remaining estimated net costs relating to this phase of the system.
- (vii) All other fixed assets, at cost, including capitalized interest as indicated in note 2(c).
- (viii) Depreciation and amortization are provided on the basis which results in a matching of these charges with BC Transit's statutory power to recover the costs of the related assets. Contributed assets are not subject to recovery and are depreciated over their estimated useful lives by the sinking fund method. All assets are depreciated over a period not exceeding their estimated remaining useful lives.

(c) Capitalization of interest

Interest, incurred in connection with capital acquisitions from the date of advance of funds until the assets are placed in service for transit purposes, is capitalized. Interest of \$6,467,000 (1987, \$3,276,000) was capitalized during the year ended March 31, 1988.

(d) Amortization of bond discounts

Bond discounts are amortized on a straight-line basis over the term of the debt.

(e) Amortization of contributed surplus

Contributed surplus (appraisal increase credits) is being amortized and reflected in net revenue at an amount equal to the depreciation charged on those assets for which BC Transit does not have statutory power to obtain full recovery from operations.

BRITISH COLUMBIA TRANSIT

NOTES TO FINANCIAL STATEMENTS (Continued)

3. LAND, BUILDINGS AND EQUIPMENT

	1988			1987
	Carrying value	Accumulated depreciation and amortization	Net	Net
	(\$000)	(\$000)	(\$000)	(\$000)
Land	\$ 48,851	\$ -	\$ 48,851	\$ 51,204
Land improvements	15,235	862	14,373	13,151
Buildings	59,744	3,409	56,335	56,667
Revenue vehicles	46,876	18,717	28,159	37,241
Revenue vehicles under capital leases	91,902	11,436	80,466	68,846
Equipment	12,677	1,099	11,578	9,287
	<u>\$275,285</u>	<u>\$ 35,523</u>	<u>\$ 239,762</u>	<u>\$ 236,396</u>
	=====	=====	=====	=====

4. SKYTRAIN

	1988	1987
	(\$000)	(\$000)
Construction, engineering and administration	\$ 656,907	\$ 691,300
Vehicles and equipment under capital lease	159,502	125,109
Property and rights-of-way	37,976	37,976
	<u>854,385</u>	<u>854,385</u>
Net interest capitalized	161,575	161,575
	<u>1,015,960</u>	<u>1,015,960</u>
Less accumulated depreciation and amortization	34,472	16,608
	<u>\$ 981,488</u>	<u>\$ 999,352</u>
	=====	=====

BRITISH COLUMBIA TRANSIT

NOTES TO FINANCIAL STATEMENTS (Continued)

5. CAPITAL PROJECTS IN PROGRESS

	1988	1987
	-----	-----
	(\$000)	(\$000)
Surrey extension	\$111,720	\$ 48,018
Surrey extension (capitalized interest)	10,373	3,906
	-----	-----
	122,093	51,924
Other	1,169	2,216
	-----	-----
	\$123,262	\$ 54,140
	=====	=====

At March 31, 1988 BC Transit has unutilized approved funding for the Surrey extension of \$67,280,000 (excluding interest), of which \$25,753,000 has been committed.

6. NOTES PAYABLE

	1988	1987
	-----	-----
	(\$000)	(\$000)
Commercial paper with the Province of British Columbia, 8.2% weighted average interest rate	\$114,925	\$378,028
	=====	=====

7. LONG-TERM DEBT

	1988	1987
	-----	-----
	(\$000)	(\$000)
Debentures, 11.03% weighted-average interest rate, due November 25, 1997 to August 10, 2007	\$723,438	\$395,781
11.125% Bond payable, due December 1, 1998	50,000	50,000
8.75% Bond payable, due January 15, 2006	25,000	25,000
Loan payable, Province of British Columbia	-	49,000
	-----	-----
	798,438	519,781
Less unamortized bond discount	11,340	10,427
	-----	-----
	787,098	509,354
12.25% Serial debenture, interest payable annually, principal repayments of \$1,400,000 payable annually commencing January 31, 1991, with a final payment of \$7,000,000 due January 31, 1996	14,000	14,000
	-----	-----
	801,098	523,354
Less current portion	16,419	9,259
	-----	-----
	\$784,679	\$514,095
	=====	=====

BRITISH COLUMBIA TRANSIT

NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (continued)

Long-term debt totalling \$812,438,000 is guaranteed by the Province of British Columbia.

Effective April 1, 1986 the Authority entered into an agreement whereby the Province of British Columbia agreed to make principal and interest payments on \$275,000,000 of the long-term debt, representing approximately 50% of the SkyTrain guideway and station construction cost. These payments aggregated \$38,927,000 during each of 1988 and 1987.

Sinking fund and serial debenture payments due in each of the next five years are approximately as follows (\$000):

1989	\$ 16,419
1990	16,419
1991	17,819
1992	17,819
1993	17,819

8. OBLIGATIONS UNDER CAPITAL LEASES

The obligations under capital leases, which mature at various dates from 1991 to 2007, represent the total present value of future minimum lease payments discounted at the interest rates implicit in the leases at the commencement of the lease term. These rates vary with prime and during the year ranged from 6.9% to 12.2%.

Obligations under capital leases totalling approximately \$219,972,000 are guaranteed by the Province of British Columbia.

The following is a schedule by year of approximate future minimum lease payments together with the balance of the obligations under capital leases as of March 31, 1988 (\$000):

1989	\$ 27,354
1990	27,326
1991	27,283
1992	26,983
1993	27,532
1994 - 2007	340,761

	477,239
Less amounts representing interest	250,483

Balance of obligations	\$226,756
	=====

BRITISH COLUMBIA TRANSIT

NOTES TO FINANCIAL STATEMENTS (Continued)

9. CONTINGENT LIABILITIES

British Columbia Transit is disagreeing with the supplier of the SkyTrain system on the interpretation of certain clauses of the purchase agreement. There are also a number of sub-contractor claims which have not yet been settled. In addition, a claim has been made by the City of Vancouver for damages due to the noise of the SkyTrain system. The outcome of the negotiations relating to these matters cannot presently be determined. They will be reflected in the accounts in the period of settlement.

10. COMPARATIVE FIGURES

Certain figures for the prior year have been reclassified to conform with the presentation adopted in the current year.

CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY TRUST FUND



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

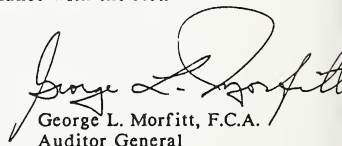
To the Members of the Creston Valley Wildlife Management
Authority, and

To the Minister responsible for Environment
Province of British Columbia:

I have examined the balance sheet of the Creston Valley Wildlife Management Authority Trust Fund as at March 31, 1988 and the statements of fund balance and revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Trust Fund as at March 31, 1988 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Creston Valley Wildlife Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.


George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 24, 1988

CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY

TRUST FUND


BALANCE SHEET

AS AT MARCH 31, 1988

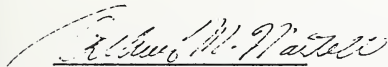
	<u>1988</u>	<u>1987</u>
ASSETS		
Cash	\$ 15,854	\$ 11,432
Short-term investments	27,889	81,388
Accrued interest receivable	7,813	6,157
Inventory	14,508	12,059
Prepaid expenses	<u>5,846</u>	<u>4,126</u>
	71,910	115,162
Long-term investments		
(market value - \$274,069;		
1987 - \$189,856)	264,020	172,209
Fixed assets	<u>1</u>	<u>1</u>
	<u>\$335,931</u>	<u>\$ 287,372</u>
LIABILITIES		
Deferred revenue	\$ 380	\$ 2,168
Refundable security deposits	4,810	4,517
Accrued expenses	<u>2,677</u>	<u>4,578</u>
	7,867	11,263
FUND BALANCE	<u>328,064</u>	<u>276,109</u>
	<u>\$ 335,931</u>	<u>\$ 287,372</u>

The accompanying notes are an integral part
of these financial statements.

Approved on behalf of the Management Authority:



D. McDonald - Chairman



A. Martell - Member

CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY TRUST FUND

STATEMENT OF FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 1988

	Operating <u>Fund</u>	Reserve for Facilities, Equipment and <u>Major Works</u>	Fund Balance <u>March 31, 1988</u>	Fund Balance <u>March 31, 1987</u>
Balance at beginning of year	\$276,109	\$ -	\$276,109	\$237,896
Excess of revenue over expenditures	<u>51,955</u>	<u>-</u>	<u>51,955</u>	<u>38,213</u>
	328,064	-	328,064	276,109
Transfers to reserve	<u>(247,263)</u>	<u>247,263</u>	<u>-</u>	<u>-</u>
Balance at the end of the year	<u>\$ 80,801</u>	<u>\$247,263</u>	<u>\$328,064</u>	<u>\$276,109</u>

CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY

TRUST FUND

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED MARCH 31, 1988

REVENUE	<u>1988</u>	<u>1987</u>
Grants		
Province of British Columbia	\$100,000	\$101,254
Government of Canada	100,000	100,000
Other	<u>8,824</u>	<u>24,488</u>
	<u>208,824</u>	<u>225,742</u>
Interest	<u>31,371</u>	<u>27,756</u>
Operations		
Campground	10,917	11,260
Donations	3,215	11,261
Food services	6,286	-
Permits and sundry	20,490	17,984
Publications and other sales	16,480	18,460
West Meadows	11,500	12,099
Wildlife centre	<u>11,842</u>	<u>2,920</u>
	<u>80,730</u>	<u>73,984</u>
	<u>320,925</u>	<u>327,482</u>
EXPENDITURE		
Administration and general	99,879	97,778
Campground	13,756	15,484
Equipment, machinery, buildings	578	1,439
Food services	12,269	-
Habitat management	19,526	28,738
Office furniture and equipment	12,914	2,556
Public services and information	21,743	33,815
Sales expense	15,572	13,746
Special projects	3,671	24,487
West Meadows	2,771	7,213
Wildlife centre	<u>66,291</u>	<u>64,013</u>
	<u>268,970</u>	<u>289,269</u>
EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR	<u>\$ 51,955</u>	<u>\$ 38,213</u>

CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY

TRUST FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

1. Trust Fund

The Creston Valley Wildlife Management Authority was established by the Creston Valley Wildlife Act. The Trust Fund is established by Section 20 of the Act and includes all funds of the Management Authority, except money appropriated by the Legislature otherwise than by way of grants to the Trust Fund. All money of the Trust Fund is to be applied for wildlife conservation, management and development in the Creston Valley wildlife management area. Continued operation of the Management Authority is dependent on federal and provincial grants.

2. Significant Accounting Policies

Significant accounting policies followed in the preparation of these financial statements are:

- a) Inventory is valued at the lower of cost and net realizable value.
- b) Long-term investments are recorded at cost with the discount amortized on a straight-line basis over the terms of the investments.
- c) Fixed assets are expensed in the year of acquisition.
- d) Donations are recorded on a cash basis.

3. Services Provided At No Cost

Certain biological and support services are provided to the Authority by provincial and federal member agencies of the Authority at no cost.

4. Contingent Liability

A claim has been lodged with the Authority which may give rise to a future liability. Because the outcome of the claim is uncertain, no amount has been recorded in these financial statements. Should a liability arise with respect to this claim, it would be reflected in the accounts in the period of settlement.

5. Comparative Figures

Certain 1987 figures have been reclassified to conform with the presentation adopted in the current year. These reclassifications have had no effect on the operating results as previously reported.

DISCOVERY FOUNDATION

Thorne Ernst & Whinney

Chartered Accountants

Thorne Ernst & Whinney Tower
2500 - 1177 West Hastings Street
Vancouver, British Columbia, Canada
V6E 2L9

Telephone: (604) 685-3511
Direct Dial (604)
Telex: 04-55177
File Ref.

AUDITORS' REPORT

To the Trustees of
Discovery Foundation

We have examined the consolidated balance sheet of Discovery Foundation as at March 31, 1988 and the consolidated statements of operations, contributed equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Foundation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with the basis of accounting disclosed in the Summary of Significant Accounting Policies applied on a basis consistent with that of the preceding year.



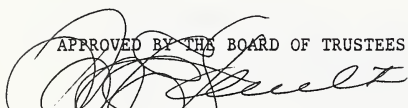
June 1, 1988

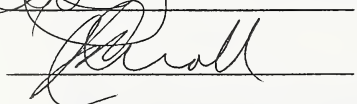
DISCOVERY FOUNDATION

CONSOLIDATED BALANCE SHEET

	March 31	
	1988	1987
ASSETS		
CURRENT ASSETS		
Cash and term deposits	\$ 320,025	\$ 401,473
Short-term investments	1,442,950	-
Accounts receivable	371,401	451,426
Receivable from the Province of British Columbia	-	825,633
Prepaid expenses	39,496	41,493
	<u>2,173,872</u>	<u>1,720,025</u>
VENTURE INVESTMENTS (note 1)	<u>8,054,590</u>	<u>8,402,167</u>
FUNDS APPROPRIATED FOR PACIFIC AQUACULTURE CENTRE	-	89,096
INVESTMENT IN RESEARCH PARKS (note 2)		
Willingdon	5,546,566	6,046,701
Simon Fraser University	2,915,346	2,908,723
The University of British Columbia	<u>238,627</u>	<u>180,921</u>
	8,700,539	9,136,345
Less accumulated depreciation	<u>69,770</u>	<u>50,832</u>
	<u>8,630,769</u>	<u>9,085,513</u>
FIXED ASSETS (note 3)	<u>181,227</u>	<u>221,417</u>
DEFERRED CHARGES	-	188,637
	<u>\$19,040,458</u>	<u>\$19,706,855</u>

APPROVED BY THE BOARD OF TRUSTEES:


 _____ Trustee


 _____ Trustee

	March 31	
	1988	1987
LIABILITIES AND CONTRIBUTED EQUITY		
CURRENT LIABILITIES		
Bank indebtedness (note 4)	\$ 394,044	-
Accounts payable and accrued liabilities	480,207	\$ 626,302
Rent received in advance	190,085	207,612
Current portion of the Province of British Columbia loan (note 5)	100,000	-
	<u>1,164,336</u>	<u>833,914</u>
THE PROVINCE OF BRITISH COLUMBIA LOAN (note 5)	<u>6,961,708</u>	<u>6,100,932</u>
PACIFIC AQUACULTURE CENTRE DEVELOPMENT LOAN FUND	<u>-</u>	<u>89,096</u>
CONTRIBUTED EQUITY	<u>10,914,414</u>	<u>12,682,913</u>
	<u>\$19,040,458</u>	<u>\$19,706,855</u>
CONTINGENCIES AND COMMITMENTS (note 8)		

DISCOVERY FOUNDATION

CONSOLIDATED STATEMENT OF OPERATIONS

	Year ended March 31	
	1988	1987
Revenue		
Income from research parks	\$2,243,895	\$2,162,893
Registration fees and subscriptions	16,855	11,847
Contributions from National Research Council	184,499	54,693
Venture investment returns	473,885	511,071
Interest and other income	65,996	11,673
	<u>2,985,130</u>	<u>2,752,177</u>
Expenses		
Research parks		
Operations	2,277,351	1,437,241
Depreciation	67,452	170,625
Amortization of prepaid lease	188,637	1,131,900
Technology and innovation		
Publication, seminars and Industrial Research Assistance Program	238,507	140,715
Administration, planning and support		
Advertising, promotion and development	75,280	207,665
Bank charges and financing costs	12,539	19,235
Depreciation and amortization	26,709	40,960
Directors' fees and expenses	38,727	47,667
Insurance	84,302	53,131
Office expenses including rent	334,288	326,361
Professional consultants	295,830	195,731
Professional fees	144,867	175,678
Salaries and benefits	932,337	789,449
Travel, seminars and public relations	148,079	87,996
	<u>4,864,905</u>	<u>4,824,354</u>
Excess of expenses over revenue	1,879,775	2,072,177
Contributions from the Province of British Columbia (note 6)	<u>2,047,368</u>	<u>1,239,763</u>
	<u>167,593</u>	<u>(832,414)</u>
Venture capital		
Gain on investment dispositions	-	54,788
Investments written off	(1,584,068)	(1,564,209)
Recovery of investments written off	86,946	-
	<u>(1,497,122)</u>	<u>(1,509,421)</u>
Excess of expenses over revenue before extraordinary items	<u>1,329,529</u>	<u>2,341,835</u>
Extraordinary items		
Purchase option revenue	101,000	-
Loss on sale of land and building	(877,700)	-
	<u>(776,700)</u>	<u>-</u>
OPERATING AND VENTURE CAPITAL LOSS	<u>\$2,106,229</u>	<u>\$2,341,835</u>

DISCOVERY FOUNDATION

CONSOLIDATED STATEMENT OF CONTRIBUTED EQUITY

	Year ended March 31	
	1988	1987
Contributed equity at beginning of year	\$12,682,913	\$11,234,994
Operating and venture capital loss	(2,106,229)	(2,341,835)
Decrease (increase) in allowance for doubtful venture investments	337,730	(2,232,387)
Pacific Aquaculture Centre reductions	-	(178,610)
Contributions from the Province of British Columbia for investment in Discovery Enterprises Inc.	-	6,200,751
CONTRIBUTED EQUITY AT END OF YEAR	<u>\$10,914,414</u>	<u>\$12,682,913</u>

DISCOVERY FOUNDATION

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended March 31	
	1988	1987
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Operating and venture capital loss	\$(2,106,229)	\$(2,341,835)
Items not involving cash		
Depreciation and amortization	282,798	1,343,485
Loss on sale of land and building	877,700	-
Venture investments written off	1,584,068	1,564,209
Gain on venture investment disposition	-	(54,788)
Changes in non-cash operating working capital		
Accounts receivable	319,788	(94,042)
Receivable from the Province of British Columbia	585,870	(661,366)
Prepaid expenses	1,997	(12,820)
Accounts payable and accrued liabilities	(146,095)	(112,334)
Rent received in advance	(17,527)	19,606
Payable to Discovery Enterprise Program	-	(171,004)
	<u>1,382,370</u>	<u>(520,889)</u>
FINANCING		
Pacific Aquaculture		
Development loan	(109,691)	(2,939,568)
Contributions (reductions)	20,595	(178,610)
Contributions for undeveloped lands	242,632	700,000
Province of British Columbia loan	960,776	6,100,932
Contributions toward Discovery Enterprises Inc.	-	6,200,731
	<u>1,114,312</u>	<u>9,883,505</u>
INVESTMENTS		
Investment in research parks		
Willingdon	(759)	16,662
Simon Fraser University	(6,623)	13,496
The University of British Columbia	(57,706)	515,746
Pacific Aquaculture Centre	-	178,510
Servicing of undeveloped lands	(242,632)	(700,000)
Investment in research building	(2,103,664)	-
Proceeds on sale of research building	1,717,386	-
Purchase of fixed assets	(25,561)	(83,298)
Reduction in funds appropriated for research park development	89,096	2,939,568
Venture investment activity		
Acquisition of investments	(1,256,885)	(12,861,013)
Interest on debentures	(405,272)	(477,319)
Debenture principle and interest repayments	763,396	1,037,959
Proceeds on disposal of share investments	-	156,398
	<u>(1,529,224)</u>	<u>(9,263,191)</u>
INCREASE IN CASH POSITION	967,458	99,425
Cash position at beginning of year	<u>401,473</u>	<u>302,048</u>
CASH POSITION AT END OF YEAR	<u>\$ 1,368,931</u>	<u>\$ 401,473</u>
Cash position is defined as cash and term deposits and short-term investments less bank indebtedness		

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1988

GENERAL

The Foundation, organized in September 1979 under the provisions of the Society Act of British Columbia, is a registered charitable organization whose role is to spearhead joint efforts by industry, government and higher education in stimulating the growth of knowledge-based, advanced technology industries for the Province of British Columbia.

The Foundation operates as part of the Province's technology development network and the Board of Trustees provides a reservoir of influence and expertise in the development of a bridge between basic research and commercial application. The core tools to create and maintain a continuing development program reside with the Foundation's four major divisions:

- (a) Discovery Parks Incorporated, a wholly owned subsidiary (acting as agent for the Foundation) which manages and develops the research parks, including the operation of the multi-tenant "incubator" building at the Willingdon site;
- (b) Discovery Innovation Centre, an internal division of the Foundation which provides a counselling and referring service for innovators to help them, and small companies, assess the scientific and commercial viability of their particular innovation;
- (c) Discovery Technology Division, an internal division of the Foundation which functions as a broker and facilitator in the provision of information by maintaining day-to-day working relations with universities, science and technology institutions, and corporations in Canada and abroad and also by its newsletter publications; and
- (d) Discovery Enterprises Inc., a wholly owned subsidiary which applies capital and unique human resources to build innovative enterprises, primarily in their early stages, for the economic benefit of its investors, investees, and the Province of British Columbia.

These consolidated financial statements also include the accounts of 272319 B.C. Ltd. and its subsidiary company, 3112 Investments Ltd., which has been inactive since incorporation.

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Short-term investments

Short-term investments included in current assets are carried at cost.

Depreciation and amortization

Fixed assets are stated at cost with depreciation and amortization provided as follows:

- (a) Furniture and fixtures are depreciated over their estimated useful lives using the declining-balance method at an annual rate of 20% from month of purchase.
- (b) Leasehold improvements are amortized using the straight-line method over the term of the lease plus one renewal period.
- (d) The parking lot is depreciated over its estimated useful life using the declining-balance method at an annual rate of 8% from month of completion.

Deferred charges are amortized on a straight-line basis over the life of the related lease.

Investment in research parks

Costs related directly to the site development of the research parks are capitalized. Included in this capitalization are property taxes on non-operating building sites net of government assistance received. Depreciation is provided on building sites which are operational on a straight-line basis over 40 years.

Government assistance

Discovery Foundation receives capital and operating contributions from the Province of British Columbia. The capital contribution is applied as a reduction of investment in research parks. The operating contribution is included in the results of operations.

Valuation of venture investments

Venture investments are recorded at the lower of cost and net realizable value. Cost includes current and capitalized interest outstanding plus dividends and royalties receivable. The net realizable value of equity investments which are publicly traded utilizes the quoted market price at the balance sheet date. The determination of net realizable value of debenture investments and equity investments which are not publicly traded is dependent upon management's assessment of whether a write-off or allowance is required.

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Valuation of venture investments (Continued)

Venture investments are written off when determined by management to be uncollectible or without value.

Based on management's judgment of the financial condition of each investee, an allowance for doubtful investments has been established which recognizes the high risks of venture capital investments in advanced technological projects even though events may not have occurred which specifically indicate an investment loss. This allowance appears separately in shareholder's equity as a reduction.

Revenue recognition

Short-term investments, debenture interest, dividends and royalties are recognized on an accrual basis. Gains and losses on venture investments are recognized only on actual dispositions or when management considers the impairment in value to be permanent.

1. VENTURE INVESTMENTS

(a) Venture investments are held in the following form:

	<u>1988</u>	<u>1987</u>
Debt (includes current and capitalized interest outstanding)	\$2,872,254	\$ 4,422,137
Equity - publicly traded	1,160,000	400,000
- privately held	<u>5,916,993</u>	<u>5,812,417</u>
	9,949,247	10,634,554
Less provision for doubtful investments	<u>1,894,657</u>	<u>2,232,387</u>
	<u>\$8,054,590</u>	<u>\$ 8,402,167</u>

The publicly traded shares of investee companies have a quoted market value of \$1,194,803 (1987, \$996,236).

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. VENTURE INVESTMENTS (Continued)

- (b) During the year, the following changes occurred in the venture investment portfolio:

	<u>1988</u>	<u>1987</u>
Venture investments at beginning of year	\$8,402,167	-
Contributed on April 1, 1986	-	\$6,200,751
Additions		
Investments acquired	1,256,885	6,728,666
Debenture interest	405,272	477,319
Reductions		
Payments	(763,396)	(1,037,959)
Disposition, at cost	-	(101,610)
Write-offs	(1,584,068)	(1,632,613)
Decrease (increase) in allowance for doubtful investments	<u>337,730</u>	<u>(2,232,387)</u>
Venture investments at end of year	<u>\$8,054,590</u>	<u>\$8,402,167</u>

2. INVESTMENT IN RESEARCH PARKS

The investment in research parks does not include the value of the following land interests:

- (a) Ownership of an initial 85 acre parcel of land at Willingdon gifted by the Province of British Columbia to the Foundation in 1979.
- (b) Leasehold interests accruing from long-term land leases with the University of British Columbia and Simon Fraser University.

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. FIXED ASSETS

	<u>1988</u>		<u>1987</u>	
		Accumulated depreciation and amortization	Net book value	Net book value
	<u>Cost</u>	<u>amortization</u>	<u>value</u>	<u>value</u>
Furniture and fixtures	\$200,152	\$ 84,468	\$115,684	\$118,843
Leasehold improvements				
Discovery Foundation premises				4,005
Tenant space				27,326
Parking lots	<u>86,205</u>	<u>20,662</u>	<u>65,543</u>	<u>71,243</u>
	<u>\$286,357</u>	<u>\$105,130</u>	<u>\$181,227</u>	<u>\$221,417</u>

4. BANK INDEBTEDNESS

The bank indebtedness is payable on demand and accrues interest at prime plus one-half percent. The line of credit is secured by two \$10,000,000 demand debentures.

5. THE PROVINCE OF BRITISH COLUMBIA LOAN

Discovery Foundation, Discovery Enterprises Inc. and the Province of British Columbia entered into an agreement whereby the Province will provide up to \$50 million in loan funding to Discovery Enterprises Inc. over a five-year period commencing April 1, 1986. The amount of the loan advanced bears interest equal to the amount of taxable income otherwise calculated for a particular fiscal year. If taxable income as calculated for a particular year is nil, then no interest shall be payable.

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. THE PROVINCE OF BRITISH COLUMBIA LOAN (Continued)

The loan activity relative to these appropriations is summarized below:

	<u>1988</u>	<u>1987</u>
Loan appropriations approved	\$8,000,000	\$8,000,000
Loan payable at beginning of year	\$6,100,932	-
Loan advances requisitioned	<u>\$ 960,776</u>	<u>\$6,100,932</u>
	7,061,708	6,100,932
Less current portion	<u>100,000</u>	-
Loan payable at end of year	<u>\$6,961,708</u>	<u>\$6,100,932</u>

The agreement allows Discovery Enterprises Inc. to requisition out of the current fiscal appropriation, funds equal to the undisbursed commitments at the fiscal year end. The agreement requires that any of these funds not disbursed within 180 days of the date of receipt be returned to the Province of British Columbia. The current portion of the loan represents the undisbursed portion of requisitioned funds relating to the March 31, 1987 undisbursed commitments.

The loan repayment terms and conditions are to be reviewed at the end of the five-year period by the Province of British Columbia, Discovery Foundation, and Discovery Enterprises Inc. If these parties come to an agreement on new terms, specific repayment will be detailed in that agreement. If a new agreement cannot be reached, then the principal and any interest is due and payable in full on March 31, 1993.

6. CONTRIBUTIONS FROM THE PROVINCE OF BRITISH COLUMBIA

The contributions received from the Province of British Columbia have been applied to the following purposes:

	<u>1988</u>	<u>1987</u>
Operations	\$2,047,368	\$1,239,763
Investment in Research Parks	<u>242,632</u>	<u>700,000</u>
	<u>\$2,290,000</u>	<u>\$1,939,763</u>

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. PART VIII TAXES RECOVERABLE

During 1984, a subsidiary of the Foundation issued and redeemed a debenture meeting the requirements of the Income Tax Act for Scientific Research Tax Credits. Details of the debenture issue are as follows:

Issue proceeds	\$10,000,000
Less	
Redemption amount	5,020,000
Part VIII taxes received	<u>85,502</u>
Deferred research and development credit, being net proceeds of issue and redemption	<u>\$ 4,894,498</u>

The issue and redemption gave rise to a liability for refundable Part VIII taxes of \$5,000,000, which have been paid. These refundable Part VIII taxes are recoverable at any time in the future at the rate of \$1 for every \$2 of qualified research and development expenditure incurred. The balance of the refundable Part VIII taxes of \$4,894,498 and the related deferred research and development credit are not reflected on the balance sheet and will be recorded in the accounts when additional financing is obtained, qualified expenditures are made and refunds are receivable in the future.

8. CONTINGENCIES AND COMMITMENTS

- (a) The Foundation has issued a letter of credit for \$25,000 to the Corporation of the District of Burnaby as a bond for compliance with the municipal regulations pertaining to the construction of research parks in Burnaby, British Columbia.
- (b) The Foundation has leased from Simon Fraser University in 1981 and from The University of British Columbia in 1982 two parcels of land for terms of 75 years each. Each lease requires minimal rental payments in the first ten years and twenty years, respectively, of \$2,500 per hectare of land used (estimated 1989 rental is \$21,000), and thereafter rental payments are based on the fair market value for rental of the land.
- (c) Capital contribution received from the Province of British Columbia for future capital expenditure commitments totalling \$12,499 (1987, \$76,832) has been reflected as a reduction in the cost of the investment in research parks.

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. CONTINGENCIES AND COMMITMENTS (Continued)

- (d) Discovery Foundation rents office space under a long-term operating lease which expires in May 1990. The aggregate lease payments of \$64,393 are to be paid in equal monthly instalments of \$2,683.
- (e) Site development costs of \$2,915,346 have been capitalized on leased land at Simon Fraser University. The lease contains a development schedule which requires Discovery Foundation to proceed with additional development before November 1990. If the development schedule is not met, the undeveloped lands may be reclaimed by Simon Fraser University. Accordingly a portion of the \$2,915,346 costs may need to be written off.
- (f) The Foundation's subsidiary, Discovery Enterprises Inc., is committed to provide funding of \$665,000 to applicants who at March 31, 1988 have not satisfied all conditions precedent required by the terms of the offer to provide funding. Upon satisfaction by each applicant of its conditions precedent, disbursement of these funds will be required.

9. INCOME TAXES

Operating losses for income tax purposes of \$3,246,248 have been realized and are available to reduce future income taxes, the benefit of which has not been recognized in the financial statements. These tax losses expire as follows:

1994	\$1,115,642
1995	<u>2,130,606</u>
Loss carry-forward for tax purposes	3,246,248
Excess of investments written off over bad debt provision	<u>402,322</u>
	<u>\$3,648,570</u>

10. COMPARATIVE FIGURES

Certain 1987 comparative balances have been reclassified to conform with the basis of presentation in the current year.

EXPO 86 CORPORATION

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman of the Board, Expo 86 Corporation, and

To the Minister of Economic Development
Province of British Columbia:

I have examined the statement of financial position of Expo 86 Corporation as at 30 June 1987 and the statements of income and deficit, revenues, installations costs and operating costs for the period from 12 February 1981 to 30 June 1987. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the corporation as at 30 June 1987 and the results of its operations for the period from 12 February 1981 to 30 June 1987 in accordance with generally accepted accounting principles.

A handwritten signature in cursive script, reading "Robert J. Hayward".

Robert J. Hayward, C.A.
Acting Auditor General

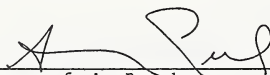
Victoria, British Columbia
5 August 1987

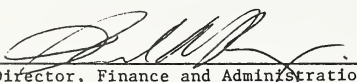
EXPO 86 CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1987
(\$'000's)

	After Wind-Up <u>June 30, 1987</u>	Prior to Wind-Up <u>June 30, 1987</u>
<u>ASSETS</u>		
Cash and Short Term Investments	-	34,415
Accounts Receivable		
- Trade	-	463
- Province of B.C.	<u>-</u>	<u>48,445</u>
	<u>-</u>	<u>83,323</u>
<u>LIABILITIES</u>		
Accounts Payable and Accrued Liabilities	-	20,670
Notes Payable to the Province of British Columbia (Note 6)	<u>-</u>	<u>62,653</u>
	<u>-</u>	<u>83,323</u>

The accompanying notes are an integral part of these financial statements.

Approved by:


Chairman of the Board


Director, Finance and Administration

EXPO 86 CORPORATION
STATEMENT OF INCOME AND DEFICIT
FOR THE PERIOD FEBRUARY 12, 1981 TO JUNE 30, 1987
(\$000's)

Revenue	<u>369,477</u>
Expenditures	
Installations	356,218
Operating	238,934
Interest	60,733
Property	<u>50,265</u>
Total Expenditures	<u>706,150</u>
Deficit prior to Lottery Funds	(336,673)
Lottery Funds (Note 5(c))	<u>336,673</u>
Deficit remaining to be funded by Lottery Funds	<u>-</u>

EXPO 86 CORPORATION
STATEMENT OF REVENUES
FOR THE PERIOD FEBRUARY 12, 1981 TO JUNE 30, 1987
(\$000's)

Admissions	207,381
Food Services	39,789
Merchandise	32,046
Corporate Sponsorships	19,204
Rides	13,829
Participants	9,626
Name Entertainment	7,412
Accommodation	7,194
World Festival	5,471
Government	
Province of B.C.	7,894
Canada	17
Miscellaneous	<u>19,614</u>
TOTAL REVENUES	<u>369,477</u>

EXPO 86 CORPORATION
STATEMENT OF INSTALLATIONS COSTS
FOR THE PERIOD FEBRUARY 12, 1981 TO JUNE 30, 1987
(\$000's)

B.C. Pavilion	47,028
Piling & Decking	35,245
Design Engineering	28,510
Transportation	25,439
International Pavilions	25,408
Expo Centre	24,079
Indirect Costs	23,890
Landscaping	20,877
Site Services	18,788
Food Services	17,280
Theatres	16,954
Theme Pavilions	14,044
Rides	11,959
Site Development	8,137
Site Exhibits	6,367
Support Facilities	6,363
Site Completion	5,976
Merchandising	5,942
Gates	5,647
Folklife	3,231
Capital Equipment	2,656
Signage	<u>2,398</u>
 TOTAL INSTALLATIONS COSTS	 <u>356,218</u>

EXPO 86 CORPORATION
STATEMENT OF OPERATING COSTS
FOR THE PERIOD FEBRUARY 12, 1981 TO JUNE 30, 1987
(\$000's)

Compensation and Benefits	91,147
Rentals	21,565
Talent	20,859
Advertising	19,844
Promotion	19,437
Outside Services	17,096
Professional Services	16,349
Office Expenses	8,454
Supplies	4,578
Utilities	4,460
Cost of Sales	4,160
Travel and Business	3,665
Insurance	2,322
Vehicle Expense	1,798
Contingency	<u>3,200</u>
TOTAL OPERATING COSTS	<u>238,934</u>

EXPO 86 CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FEBRUARY 12, 1981 TO JUNE 30, 1987

1. The Corporation - Statutory Requirements

Expo 86 Corporation is a non-profit agent of the Crown incorporated under Revised Statutes of British Columbia 1980 Chapter 59 as amended for the purpose of organizing, operating and ensuring the windup of the 1986 World Exposition.

As at June 30, 1987 by Order in Council No. 1989 dated October 9, 1987, Expo 86 Corporation is dissolved.

2. Wind-Up of the Corporation

In order to conclude the business affairs of EXPO 86, a Tri-Partite Agreement effective June 30, 1987 was entered into between Expo 86 Corporation, B.C. Place Ltd., and the Crown (represented by the Province and the Ministry of Economic Development). In this agreement EXPO 86 agrees to sell to the Crown the remaining theme park assets and the Expo Centre (note 5(c)). This agreement satisfies all outstanding obligations Expo 86 Corporation has to B.C. Place Ltd., under the Site Lease Agreement, which includes demolition, dismantling and restoration of the Site (note 5 (a)).

In addition, the following assets and liabilities at June 30, 1987 were transferred for administrative purposes as follows:

	B.C. Place Ltd. (B.C. Enterprise)	Crown	Total
Assets			
Cash and Short Term Investments	17,130	17,285	34,415
Accounts Receivable (Lottery Funds)	-	48,445	48,445
Accounts Receivable (Other)	161	302	463
Liabilities			
Accounts Payable and Accrued Liabilities	(17,291)	(3,379)	(20,670)
Notes Payable to the Province of B.C.	-	(62,653)	(62,653)
	-	-	-

EXPO 86 CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FEBRUARY 12, 1981 TO JUNE 30, 1987

3. Financial Statement Presentation

These financial statements include all revenues and expenses from date of inception to June 30, 1987. Also included are estimates (totalling \$17.1 million) of outstanding obligations and interest expense expected to be incurred in order to wind up the affairs of Expo 86 Corporation. The operating period of the Exposition concluded on October 15, 1986, however activity related to the windup continued to June 30, 1987.

The Exposition is governed by the rules set out under the Bureau of International Expositions. Under the rules for the theme fair category, Federal and Provincial governments and corporate participants are required to design and supply their own buildings and displays. Consequently, the accounts of Expo 86 Corporation do not include any such expenditures.

4. Significant Accounting Policies

- a) The major categories of expenditures are as follows:

Installations costs reflect expenditures by the Corporation to construct, develop or acquire permanent and temporary facilities, including furnishings, equipment and exhibitry, required for staging the Exposition. They also include the cost of demolition, site restoration and disposal of assets net of recovery.

Property costs reflect the cost to the Corporation of obtaining the rights to the use of property required for staging the Exposition. Such properties are carried at the sum of the net payments under the leases or other agreements.

Operating costs comprise the balance of expenditures incurred to plan, develop, stage and windup the Exposition.

- b) All goods and services received by the Corporation of a non-monetary nature under contracted agreements providing sponsorship, official supplier designation or other rights have been recorded at fair market value.

EXPO 86 CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FEBRUARY 12, 1981 TO JUNE 30, 1987

5. Related Party Transactions

a) British Columbia Enterprise Corporation/British Columbia Place Ltd.

i) Site Lease

Under a site lease agreement with British Columbia Place Ltd. dated June 3, 1983, Expo 86 Corporation acquired the right to the use of certain lands for the consideration of \$1 plus cost sharing of certain site improvements and building structures and with the obligation to return the site to its original condition. The major expenditures made by Expo 86 Corporation under this agreement include contributions toward construction of the B.C. Pavilion (\$22.8 million), the Seawall (\$8.5 million), Roundhouse (\$4.9 million) and the restoration of the site as part of the Tri-Partite Agreement (\$17.3 million).

In addition, a major expenditure that will have ongoing benefit to B.C. Place Ltd. is the contribution for interior design of B.C. Pavilion Complex (\$5.2 million).

ii) Other

Sales of furnishings and equipment totalling \$2.4 million were made to B.C. Place Ltd. under prevailing trade terms.

b) B.C. Pavilion Corporation

Amounts contributed to B.C. Pavilion Corporation, another Crown Corporation, towards the cost of exhibits was \$19 million.

c) Province of British Columbia

Pursuant to the Tri-Partite Agreement, the Expo Centre has been transferred to the Province for nil consideration and the remaining Theme Park Assets (Rides) for \$5.4 million.

At June 30, 1987 lottery contributions to the Corporation total \$336.6 million of which \$45.4 million is still due from the Province.

d) Other Related Parties

In the normal course of its operations, the Corporation acquired goods and services from the Province of British Columbia and certain Crown Corporations, predominantly under prevailing trade terms.

EXPO 86 CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FEBRUARY 12, 1981 TO JUNE 30, 1987

6. Notes Payable to the Province of British Columbia

The Corporation has a funding agreement with the Province of British Columbia whereby funding required by the Corporation over and above revenues received from all sources, is provided by the Province of British Columbia up to a maximum of \$500 million as approved by Orders-in-Council. Under the funding agreement, short term borrowings are renewed upon maturity, as required by the Corporation.

At June 30, 1987, notes totalling \$62.6 million are outstanding with interest rates ranging from 8.19% to 8.62% and maturity dates ranging from July 6, 1987 to December 1, 1987. Interest payable at June 30, 1987 is \$2.7 million.

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

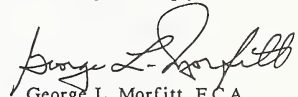
AUDITOR'S REPORT

To the Chairman and Members of the Board of the
Health Facilities Association of British Columbia, and

To the Minister of Health
Province of British Columbia:

I have examined the balance sheet of the Health Facilities Association of British Columbia as at March 31, 1988, and the statements of revenue, expenditures and surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Association as at March 31, 1988, and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in note 2 to the financial statements applied, after giving retroactive affect to the changes in accounting policies described in note 3 to the financial statements, on a basis consistent with that of the preceding year.


George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
July 5, 1988

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

BALANCE SHEET

AS AT MARCH 31, 1988

ASSETS

	<u>1988</u>	<u>1987</u>
CURRENT ASSETS		
Cash and short-term investments	\$ 1,849,991	\$ 816,424
Grants receivable from Province of British Columbia (note 3)	1,732,575	2,418,231
Accrued interest	<u>135,156</u>	<u>186,720</u>
	<u>3,717,722</u>	<u>3,421,375</u>
NON-CURRENT ASSETS		
Grants to hospitals	54,814,012	63,341,711
Mortgage receivable	<u>4,003,622</u>	<u>4,299,558</u>
	<u>58,817,634</u>	<u>67,641,269</u>
	<u>\$62,535,356</u>	<u>\$71,062,644</u>

LIABILITIES

CURRENT LIABILITIES

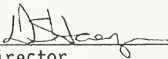
Grants payable to hospitals	\$ 54,722	\$ 353,529
Accrued interest	1,867,724	2,604,963
Current obligations on debentures	<u>2,132,124</u>	<u>6,776,504</u>
	<u>4,054,570</u>	<u>9,734,996</u>

LONG-TERM DEBT

Debentures (note 4)	76,871,876	93,558,653
Less sinking funds on deposit (note 5)	<u>18,391,090</u>	<u>32,231,005</u>
	<u>58,480,786</u>	<u>61,327,648</u>
	<u>\$62,535,356</u>	<u>\$71,062,644</u>

See accompanying notes

APPROVED ON BEHALF OF THE BOARD:


Director


Director

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA
STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 1988

	<u>1988</u>	<u>1987</u>
REVENUE		
Grants from the Province of British Columbia	\$17,886,107	\$18,093,946
Interest on mortgage receivable	631,707	630,351
Interest on sinking fund investments	<u>2,548,976</u>	<u>2,302,190</u>
	<u>21,066,790</u>	<u>21,026,487</u>
EXPENDITURES		
Interest on debentures	11,810,484	12,371,555
Amortization of grants to hospitals	<u>9,256,306</u>	<u>8,654,932</u>
	<u>21,066,790</u>	<u>21,026,487</u>
NET RESULT FOR THE YEAR	<u>Nil</u>	<u>Nil</u>
SURPLUS AT BEGINNING OF YEAR		
As previously reported	<u>608,377</u>	<u>570,027</u>
Adjustments arising from changes in accounting policies (note 3)		
Grants to hospitals	(3,026,608)	(3,026,608)
Grants from the Province of British Columbia	<u>2,418,231</u>	<u>2,456,581</u>
	<u>(608,377)</u>	<u>(570,027)</u>
As restated	<u>\$ Nil</u>	<u>\$ Nil</u>
SURPLUS AT END OF YEAR	<u>\$ Nil</u>	<u>\$ Nil</u>

See accompanying notes

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1988

	<u>1988</u>	<u>1987</u>
CASH PROVIDED BY:		
Activities		
Net result for the year	\$ -	\$ -
Item not involving cash		
Amortization of grants	<u>9,256,306</u>	<u>8,654,932</u>
	9,256,306	8,654,932
Realization of sinking funds to redeem debt	22,000,000	-
Issue of debentures	2,061,000	4,443,000
Reduction of mortgage receivable	<u>295,936</u>	<u>310,652</u>
	<u>33,613,242</u>	<u>13,408,584</u>
CASH APPLIED TO:		
Redemption of debentures	23,392,157	1,202,708
Grants to hospitals	728,607	3,606,916
Contributions to sinking funds	8,160,085	7,762,875
Net change in non-cash working capital	<u>298,826</u>	<u>93,620</u>
	<u>32,579,675</u>	<u>12,666,119</u>
INCREASE IN CASH	1,033,567	742,465
CASH AND SHORT TERM INVESTMENTS AT BEGINNING OF YEAR	<u>816,424</u>	<u>73,959</u>
AT END OF YEAR	<u>\$ 1,849,991</u>	<u>\$ 816,424</u>

See accompanying notes

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

1. Nature of the Association

Health Facilities Association of British Columbia was incorporated under the Society Act on October 15, 1975. The Association raises capital through the issuance of debentures to the British Columbia Regional Hospital Districts Financing Authority to assist in financing the capital costs of hospital projects, medical and health facilities, and community human resources and health centres in the Province of British Columbia. Costs of servicing the debentures are paid through grants received from the Province of British Columbia.

2. Significant Accounting Policies

- a) Grant payments to hospitals financed by debenture proceeds are recorded as non-current assets when approved for payment by the Ministry of Health. These assets are amortized by an annual charge to expenditures equivalent to contributions to the sinking funds, interest earned on sinking funds investments and other reductions of debenture principal.
- b) Grants from the Province of British Columbia for the retirement of the principal of debentures issued are recorded when paid by the Province. Grants for the payment of interest on the debentures are recognized as the interest accrues.
- c) Short-term investments owned by the Association are managed by the Provincial Treasury. Interest earned on these short-term investments accrues to the Province of British Columbia net of management and administrative fees charged by the Ministry of Finance and Corporate Relations. Therefore, interest from short-term investments is not recorded by the Association.

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

3. Changes in Accounting Policies

Effective April 1, 1987, the Association changed two of its accounting policies. Details of the changes, which have been applied retroactively, are:

- a) Prior to April 1, 1987, grants to hospitals which had been financed from revenues other than the proceeds of debenture issues or from specific capital grants were not written off as expenditures. This policy has been retroactively changed to write off these grants to the extent that they were funded from sources other than debentures or grants from the Province. The application of this change in policy has had no effect on the operating results of the current year.
- b) Prior to April 1, 1987, grants received from the Province of British Columbia for the payment of debenture interest were recorded on a cash basis. Effective April 1, 1987, these grants have been recorded on an accrual basis to correspond with the recognition of the related debenture interest expense. The effect of this change in policy has been to reduce the revenue otherwise reportable for the year by \$685,656.

As a result of the above, the balances of surplus at March 31, 1987, and March 31, 1986, previously reported as \$608,337 and \$570,027 respectively, have been eliminated. The unamortized balance of grants to hospitals at each of those dates have been reduced by \$3,026,608 and current assets have been increased by \$1,732,575 and \$2,418,231 at March 31, 1988, and March 31, 1987, respectively.

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

4. DebenturesDebentures issued to the British Columbia Regional Hospital
Districts Financing Authority:

	<u>1988</u>	<u>1987</u>
Series LA 15.75% due May 31, 1987	\$ -	\$ 1,392,157
Series LB 13.60% due October 5, 1987	-	10,000,000
Series RHA 11.375% due March 31, 1988	-	12,000,000
Series JD 8.95% due December 10, 1995	1,500,000	1,500,000
Series JF 9.03% due April 9, 1996	5,000,000	5,000,000
Series JG 9.04% due May 7, 1996	3,000,000	3,000,000
Series KB2 10.00% due September 13, 1996	2,000,000	2,000,000
Series KO 10.49% due October 10, 1999	5,000,000	5,000,000
Series KR 12.74% due March 10, 2000	10,000,000	10,000,000
Series K3 13.13% due March 10, 2001	10,000,000	10,000,000
Series K4 13.66% due April 10, 2001	2,000,000	2,000,000
Series K12 15.93% due December 10, 2001	3,000,000	3,000,000
Series K14 15.50% due February 10, 2002	3,500,000	3,500,000
Series K15 16.10% due March 10, 2002	4,500,000	4,500,000
Series K16 15.12% due April 8, 2002	4,000,000	4,000,000
Series K21 13.43% due November 10, 2002	4,000,000	4,000,000
Series K28 11.37% due July 4, 2003	4,000,000	4,000,000
Series K33 11.79% due December 1, 2003	3,000,000	3,000,000
Series K34 12.13% due March 1, 2004	5,000,000	5,000,000
Series K41 12.96% due November 2, 2004	3,000,000	3,000,000
Series K46 9.59% due May 9, 2006	3,000,000	3,000,000
Series K52 9.04% due March 10, 2007	1,443,000	1,443,000
Series BCEC7 9.25% due March 3, 1993	<u>2,061,000</u>	<u>-</u>
	79,004,000	100,335,157
Less: Current obligations on debentures	<u>2,132,124</u>	<u>6,776,504</u>
	<u>\$ 76,871,876</u>	<u>\$ 93,558,653</u>

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

4. Debentures - (continued)

Sinking fund debentures series JF, JG, K3, K4, K12, K14, K15, K16, K21, K28, K33, K34, K41, K46 and K52, are redeemable in whole or in part before maturity at the option of the Chairman of the British Columbia Regional Hospital Districts Financing Authority (BCRHDA) upon five months prior written notice.

Sinking fund debenture BCEC7 is redeemable in whole or in part before maturity at the option of the Chairman of the BCRHDA upon not more than 45 days and not less than 30 days written notice.

Obligations on debentures required over the next five years are as follows:

1989	\$2,132,124
1990	\$2,132,124
1991	\$2,132,124
1992	\$2,132,124
1993	\$2,132,124

5. Sinking Funds on Deposit

	<u>1988</u>	<u>1987</u>
Investments	\$18,114,631	\$31,652,703
Accrued interest	<u>276,459</u>	<u>578,302</u>
	<u>\$18,391,090</u>	<u>\$32,231,005</u>

6. Commitments

Commitments outstanding as at March 31, 1988, amounted to approximately \$6,800,000 (1987 - \$500,000) for approved projects.

HOUSING CORPORATION OF BRITISH COLUMBIA

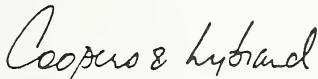
Coopers
& Lybrand

chartered accountants

a member firm of
Coopers & Lybrand (International)AUDITORS' REPORT TO THE LIEUTENANT-GOVERNOR IN COUNCIL
PROVINCE OF BRITISH COLUMBIA

We have examined the consolidated balance sheet of the Housing Corporation of British Columbia as at October 31, 1987 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at October 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



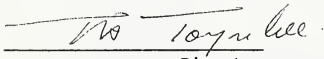
Vancouver, B.C.
June 30, 1988

HOUSING CORPORATION OF BRITISH COLUMBIA
 CONSOLIDATED BALANCE SHEET AS AT OCTOBER 31, 1987

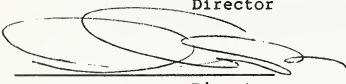
(in thousands of dollars)

	1987 \$	1986 \$
A S S E T S		
CASH AND TERM DEPOSITS	4,218	3,908
ACCRUED INTEREST RECEIVABLE	5	11
MORTGAGE RECEIVABLE	103	
ORGANIZATION COST	<u>1</u>	<u>1</u>
	<u>4,327</u>	<u>3,920</u>
L I A B I L I T I E S		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	<u>11</u>	<u>9</u>
S H A R E H O L D E R ' S E Q U I T Y		
SHARE CAPITAL (note 4)	1,902	1,902
RETAINED EARNINGS	<u>2,414</u>	<u>2,009</u>
	<u>4,316</u>	<u>3,911</u>
	<u>4,327</u>	<u>3,920</u>

APPROVED BY THE DIRECTORS



 Director



 Director

HOUSING CORPORATION OF BRITISH COLUMBIA
 CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
 FOR THE YEAR ENDED OCTOBER 31, 1987
 (in thousands of dollars)

	1987 \$	1986 \$
REVENUE		
Interest	296	307
Recovery of mortgage receivable	<u>140</u>	<u> </u>
	436	307
EXPENSES		
Administration	<u>31</u>	<u>28</u>
NET EARNINGS FOR THE YEAR	405	279
RETAINED EARNINGS - BEGINNING OF YEAR	<u>2,009</u>	<u>1,730</u>
RETAINED EARNINGS - END OF YEAR	<u><u>2,414</u></u>	<u><u>2,009</u></u>

HOUSING CORPORATION OF BRITISH COLUMBIA
 CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE YEAR ENDED OCTOBER 31, 1987
 (in thousands of dollars)

	1987 \$	1986 \$
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Cash from operations -		
Net earnings for the year	405	279
Recovery of mortgage receivable	<u>(140)</u>	<u> </u>
	265	279
Net change in the following -		
Accrued interest receivable	6	13
Accounts payable and accrued liabilities	<u>2</u>	<u>(1)</u>
	273	291
INVESTING ACTIVITY		
Proceeds from mortgage receivable	<u>37</u>	
INCREASE IN CASH AND TERM DEPOSITS DURING THE YEAR	310	291
CASH AND TERM DEPOSITS - BEGINNING OF YEAR	<u>3,908</u>	<u>3,617</u>
CASH AND TERM DEPOSITS - END OF YEAR	<u>4,218</u>	<u>3,908</u>

HOUSING CORPORATION OF BRITISH COLUMBIA
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED OCTOBER 31, 1987
 (in thousands of dollars)

1. WINDING UP OF THE OPERATIONS OF THE CORPORATION

Pursuant to a directive dated September 29, 1978, issued By the Ministry of Municipal Affairs and Housing, Province of British Columbia, the operations of the Corporation are being wound up. A total of \$12 million of dividends has been declared to date, of which \$3 million was paid in the fiscal year ended October 31, 1982, \$5 million in the fiscal year ended October 31, 1981 and \$4 million in the fiscal year ended October 31, 1980.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Housing Corporation of British Columbia and the wholly owned subsidiaries, Dunhill Development Corporation and HCBC Construction Ltd.

Consideration for Sales

Where collectibility of the outstanding balance of a mortgage is in doubt and the appraised value of the security is less than the carrying value, the carrying value is written down to the appraised value.

3. INCOME TAXES

All of the issued shares of the Corporation are owned by the Province of British Columbia and therefore the Corporation is not subject to federal or provincial income taxes.

4. SHARE CAPITAL

	1987	1986
	\$	\$
Authorized -		
2,000,000 common shares with no par value		
Issued and fully paid -		
1,355,084 shares	<u>1,902</u>	<u>1,902</u>

INSURANCE CORPORATION OF BRITISH COLUMBIA

F I N A N C I A L

	1987	1986
	(\$ Thousands)	
Revenue		
Vehicle premiums written	\$ 853,909	\$ 752,844
Driver premiums written	16,575	15,644
	870,484	768,488
Vehicle premiums earned	805,864	742,123
Driver premiums earned	15,926	15,631
	821,790	757,754
Claims costs		
Claims incurred	850,546	742,139
Claims operation expenses	78,999	70,272
	929,545	812,411
Expenses		
Administrative	58,714	58,693
Commissions	63,332	56,771
Premium taxes	7,197	—
	129,243	115,464
Total claims and expenses	1,058,788	927,875
Underwriting loss	(236,998)	(170,121)
Investment income	179,205	171,241
Income (loss) for the year	(57,793)	1,120
Unappropriated surplus—beginning of year	12,010	10,890
Transfer from:		
Rate stabilization reserve	46,000	—
Unappropriated surplus—end of year	\$ 217	\$ 12,010

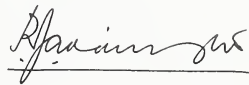

Insurance
(Motor Vehicle)
Act Fund Statement
of Operations

Year ended December 31, 1987

F I N A N C I A L

Balance Sheet

As at December 31, 1987

	1987	1986
	(\$ Thousands)	
Assets		
Cash in hands of agents	\$ 7,383	\$ 5,098
Investments (Note 3)	1,778,216	1,546,432
Accrued interest receivable	27,156	34,560
Accounts receivable	16,167	12,767
Deferred premium acquisition expenses	36,897	24,817
Property and equipment (Note 4)	91,630	78,929
	\$1,957,449	\$1,702,603
Liabilities		
Cheques outstanding	\$ 8,101	\$ 2,106
Accounts payable and accrued charges	24,516	21,418
Premiums and fees in advance	40,577	32,785
Deferred investment gains and losses (Note 5)	111,157	20,585
Unearned premiums	336,905	288,211
Unpaid claims	1,401,976	1,245,488
	1,923,232	1,610,593
Insurance (Motor Vehicle) Act Fund Surplus		
Catastrophe reserve (Note 6)	20,000	20,000
Rate stabilization reserve (Note 6)	14,000	60,000
Unappropriated surplus	217	12,010
	34,217	92,010
	\$1,957,449	\$1,702,603
Approved by the Board		
Director: 		
Director: 		

F I N A N C I A L

1987 1986

(\$ Thousands)

Operating activities

Cash received from:

Agents for vehicle premiums, licence fees
and social service taxes

\$1,068,538 \$ 953,322

Interest and net gains on investments

278,023 185,008

Collections

51,162 56,241

Salvage sales

16,909 14,840

1,414,632 1,209,411

Cash paid to:

Claimants or third parties on behalf of claimants

732,164 616,152

Province of British Columbia for licence fees

and social service taxes collected

157,825 147,039

Suppliers of goods and services

68,351 46,136

Employees for salaries and benefits

93,515 84,941

Agents for commissions

65,592 58,743

Policyholders for premium refunds

53,533 50,986

Province of British Columbia for

premium taxes

14,749 —

All others

829 1,466

\$1,186,558 \$1,005,463

Increase in cash and investments from
operating activities

228,074 203,948

Other activities

Payment of retained earnings from general insurance
operations to Province of British Columbia

— 8,694

Increase in cash and investments during the year

228,074 195,254

Cash and investments—beginning of year

1,549,424 1,354,170

Cash and investments—end of year

\$1,777,498 \$1,549,424

Represented by:

Cash in hands of agents

7,383 5,098

Investments

1,778,216 1,546,432

Cheques outstanding

(8,101) (2,106)

\$1,777,498 \$1,549,424

S

atement of
Changes in Financial
Position

Year ended December 31, 1987

F I N A N C I A L

N

otes to
Financial Statements

December 31, 1987

1. Status of the Corporation

The Insurance Corporation of British Columbia (the Corporation) is a Crown corporation incorporated under the Insurance Corporation Act, R.S.B.C. Chapter 201. The Corporation operates and administers the Insurance (Motor Vehicle) Act Fund and, as required by legislation, reports the revenues and expenses attributable to the operation of the Insurance (Motor Vehicle) Act Fund separately from other operations of the Corporation, if any. The Corporation also has the power and capacity to act as an insurer and reinsurer in all classes of insurance but is not presently engaged in any such activities.

2. Summary of Significant Accounting Policies

BASIS OF REPORTING

The financial statements of the Corporation are prepared in accordance with generally accepted accounting principles and in accordance with the requirements of the Insurance Corporation Act. The more significant accounting policies adopted are noted below.

INVESTMENTS AND INVESTMENT INCOME

Investments are carried at amortized cost. Premiums or discounts on bond purchases are deferred and amortized over the term to maturity of each bond.

Income on interest-bearing securities is accrued daily. Gains and losses on sales of debt securities are deferred and amortized over the shorter of the term to maturity of the security sold and 60 months.

DEFERRED PREMIUM ACQUISITION EXPENSES

Commissions and premium taxes are expensed over the terms of the insurance policies to which they relate.

DEPRECIATION AND AMORTIZATION

Depreciation is provided on a straight-line basis at rates which will depreciate the original cost over the useful life of each asset. Leasehold improvements are amortized over the term of each lease plus the first renewal period where appropriate.

UNEARNED PREMIUMS

Unearned premiums is that portion of premiums that relates to the unexpired term of each vehicle policy or driver's point penalty premium.

UNPAID CLAIMS

Unpaid claims includes a provision for reported and unpaid claims and related expenses, based on the claim settlement experience of the Corporation, current trends and a detailed review of claim files. Also included is an estimate for unreported claims.

PRIOR YEAR'S FIGURES

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

3. Investments

	Dec. 31, 1987		Dec. 31, 1986	
	Cost	Market	Cost	Market
	(\$ Thousands)			
Short-term deposit receipts, call loans and notes	\$ 790,972	\$ 790,972	\$ 675,937	\$ 675,937
Bonds	985,290	969,878	870,495	981,927
Equities	1,954	1,747	—	—
	\$1,778,216	\$1,762,597	\$1,546,432	\$1,657,864

F I N A N C I A L

4. Property and Equipment

	Dec. 31, 1987		Dec. 31, 1986	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
	(\$ Thousands)			
Land	\$ 13,846	\$ —	\$ 13,846	\$ 13,772
Buildings	77,356	27,433	49,923	50,587
Furniture and equipment	48,043	20,510	27,533	14,312
Leasehold improvements	963	635	328	258
	\$ 140,208	\$ 48,578	\$ 91,630	\$ 78,929

Depreciation has been charged at the following rates: buildings 5 - 10%; furniture and equipment 10 - 33.3%. Depreciation expense for the year ended December 31, 1987 amounted to \$11,411,000 (1986 - \$9,878,000).

5. Deferred Investment Gains and Losses

	Dec. 31, 1987	Dec. 31, 1986
	(\$ Thousands)	
Balance deferred—beginning of year	\$ 20,585	\$ 8,848
Net realized gains during year	117,401	17,862
Amount included in investment income	(26,829)	(6,125)
Balance deferred—end of year	\$111,157	\$20,585

6. Insurance (Motor Vehicle) Act Fund Surplus

A catastrophe reserve has been established, in accordance with industry practice, to provide financial and reinsurance stability. A rate stabilization reserve has been established to lessen the impact on premiums of significant variations in claims loss experience.

As a result of claims loss experience during the year, the Board of Directors approved the transfer of \$46,000,000 from the rate stabilization reserve to maintain a modest unappropriated surplus at December 31, 1987.

7. Reinsurance

The Corporation underwrites policies of insurance and has obtained reinsurance on those policies which protects the Corporation against losses of up to \$100,000,000 and limits the Corporation's liability to \$5,000,000 in the event of a series of three or more claims arising out of a single occurrence. These reinsurance arrangements do not discharge the Corporation's obligation as primary insurer.

8. Related Party Transactions

The Corporation is the sole provider of compulsory automobile insurance in British Columbia and, therefore, insures vehicles owned or leased by the government of the province and its controlled entities. The Corporation also acts as agent for the Motor Vehicle Department regarding the collection of motor vehicle licence fees and for the Ministry of Finance and Corporate Relations regarding the collection of social service taxes on privately sold used vehicles.

N

otes to
Financial Statements
(Continued)

December 31, 1987

F I N A N C I A L

Notes to
Financial Statements
(Continued)

December 31, 1987

9. Pension Plans

The Corporation maintains two contributory defined benefit best years' average pension plans which cover more than 90 percent of all regular employees. The plans provide pensions based on length of service and best years' average earnings. The plans are, to all intents and purposes, identical and are funded through a single fund—I.C.B.C. Employees' Retirement Trust Fund.

An actuarial report prepared as at December 31, 1987, which was based on projections of employees' compensation levels to the time of retirement, the rate of inflation and the rate of return on the Fund's assets, indicates that the present value of the accrued pension benefits and the net assets available to provide for these benefits, at market value, are as follows:

	1987	1986
	(\$ Thousands)	
Accrued pension benefits	\$52,718	\$43,625
Retirement Fund assets at market value	68,044	61,083

The Corporation's pension contribution of \$2,576,000 (1986 - \$2,393,000) matches the employee contribution, which have both been established taking into account the amortization of experience and investment gains and losses over the average service life of the employees in the plans.

The unamortized surplus of the Fund is for the benefit of eligible employees and is not recognized in determining the Corporation's operating results.

AUDITORS' REPORT

THE HONOURABLE LYALL F. HANSON
MINISTER OF LABOUR AND CONSUMER SERVICES
PROVINCE OF BRITISH COLUMBIA

We have examined the balance sheet of the Insurance Corporation of British Columbia as at December 31, 1987 and the statements of operations of the Insurance (Motor Vehicle) Act Fund and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operation of the Insurance (Motor Vehicle) Act Fund and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
CHARTERED ACCOUNTANTS
Vancouver, British Columbia
February 15, 1988

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Chairman and Members of the Board of the
Knowledge Network of the West Communications Authority, and

To the Minister of Advanced Education and Job Training
Province of British Columbia:

I have examined the consolidated balance sheet of Knowledge Network of the West Communications Authority as at March 31, 1988 and the consolidated statements of revenue, expenditure and surplus, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Authority as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 20, 1988

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

CONSOLIDATED BALANCE SHEET

As at March 31, 1988

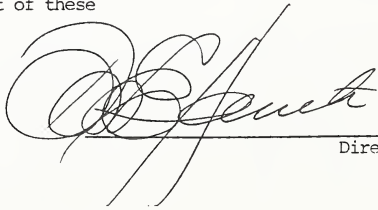
	<u>ASSETS</u>	
	<u>1988</u>	<u>1987</u>
Current assets		
Cash and short-term investments	\$ 609,954	\$ 590,944
Accounts receivable	157,847	56,600
Grants receivable	43,088	--
Prepaid expenses	<u>165,803</u>	<u>113,167</u>
Total current assets	976,692	760,711
Investment and advances (Note 3)	537,607	1,369,203
Fixed assets (Notes 4 & 5)	<u>798,192</u>	<u>520,907</u>
Total assets	<u>\$2,312,491</u>	<u>\$2,650,821</u>
<u>LIABILITIES AND SURPLUS</u>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 412,424	\$ 355,512
Deferred revenue	80,904	119,806
Due to Open Learning Institute	<u>127,854</u>	<u>--</u>
Total current liabilities	621,182	475,318
Deferred revenue	<u>8,320</u>	<u>16,640</u>
	<u>629,502</u>	<u>491,958</u>
Surplus (Note 6)	<u>1,682,989</u>	<u>2,158,863</u>
Total liabilities and surplus	<u>\$2,312,491</u>	<u>\$2,650,821</u>
Agency funds (Note 7)	<u>\$ 404,339</u>	<u>\$ 14,466</u>

The accompanying notes are an integral part of these financial statements.

Approved by the Board



Director



Director

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY
 CONSOLIDATED STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

For the year ended March 31, 1988

<u>REVENUE</u>	<u>1988</u>	<u>1987</u>
Province of British Columbia		
Operating grants	\$3,812,500	\$3,776,000
Fund for Excellence grants	1,797,000	1,000,000
Special grants	356,717	185,313
Government of Canada grant	--	40,000
Fees and rentals	239,628	116,586
Donations	66,593	--
Interest	79,961	51,060
Other	85,966	19,492
	<u>6,438,365</u>	<u>5,188,451</u>
 <u>EXPENDITURE</u>		
Administration	1,000,183	1,100,106
Network operations	2,332,496	2,050,218
Program development and acquisitions	1,179,658	992,698
Public affairs	417,461	350,390
Special projects	765,590	314,587
	<u>5,695,388</u>	<u>4,807,999</u>
Excess of revenue over expenditure before depreciation and amortization, share of deficit in joint venture and extraordinary item	742,977	380,452
Depreciation and amortization	312,841	238,213
	430,136	142,239
Share of deficit in joint venture	274,314	253,007
Excess (deficiency) of revenue over expenditure before extraordinary item	155,822	(110,768)
EXTRAORDINARY ITEM		
Write-down of investment in joint venture (Note 3)	631,696	--
EXCESS OF EXPENDITURE OVER REVENUE FOR THE YEAR	475,874	110,768
SURPLUS, BEGINNING OF YEAR	<u>2,158,863</u>	<u>2,269,631</u>
SURPLUS, END OF YEAR	<u>\$1,682,989</u>	<u>\$2,158,863</u>

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended March 31, 1988

	<u>1988</u>	<u>1987</u>
CASH FROM OPERATIONS		
Excess (deficiency) of revenue over expenditure before extraordinary item	\$ 155,822	\$ (110,768)
Items not involving cash:		
Depreciation and amortization	312,841	238,213
Deficit of joint venture	274,314	253,007
Write-down of investment	<u>--</u>	<u>16,180</u>
Cash generated from operations before changes in operating working capital	742,977	396,632
Changes in operating working capital		
Accounts receivable	(101,247)	1,866
Grants receivable	(43,088)	--
Prepaid expenses	(52,636)	(101,643)
Accounts payable and accrued liabilities	56,912	(9,067)
Current portion of deferred revenue	(38,902)	101,087
Due to Open Learning Institute	<u>127,854</u>	<u>--</u>
Cash provided by operating activities	<u>691,870</u>	<u>388,875</u>
FINANCING ACTIVITIES		
Reduction in deferred revenue	<u>(8,320)</u>	<u>(8,320)</u>
INVESTMENT ACTIVITIES		
Fixed asset additions	(593,961)	(193,575)
Proceeds from sale of fixed assets	3,835	--
Investment in joint venture	<u>(74,414)</u>	<u>(75,911)</u>
Cash used in investment activities	<u>(664,540)</u>	<u>(269,486)</u>
INCREASE IN CASH AND SHORT TERM INVESTMENTS	19,010	111,069
Cash and short term investment, beginning of year	<u>590,944</u>	<u>479,875</u>
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	<u>\$ 609,954</u>	<u>\$ 590,944</u>

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 1988

1. Nature of the Authority

The Authority was incorporated on May 29, 1980 under the provisions of the Society Act of British Columbia. The objects of the Authority are to assist and collaborate with universities, colleges, provincial institutes, school districts, ministries and agencies of the Province of British Columbia in the development and delivery of educational programs and materials, and to establish, maintain and operate a telecommunication network.

Effective April 1, 1988, the Open Learning Agency was established under the Open Learning Agency Act. The Knowledge Network of the West Communications Authority and the Open Learning Institute were dissolved as of that date. All property, rights, debts, obligations and operations of these entities were transferred to the Open Learning Agency.

2. Significant accounting policies

a) Principles of consolidation

The accounts of the Authority are consolidated with those of its wholly-owned subsidiary Knowledge-West Communications Corporation. All inter-company transactions have been eliminated in these consolidated financial statements.

The investment by Knowledge-West Communications Corporation in a joint venture, Knowledge West Partnership, has been accounted for in these financial statements on an equity basis.

b) Depreciation and amortization

The Authority records fixed assets at cost and depreciates or amortizes them using the straight line method over their estimated useful life as follows:

Furniture and fixtures	Over ten years
Equipment	Over five years
Earth stations	Over five years
Network equipment	Over five years
Leasehold improvements	Term of lease

c) Donations

During the year the Authority carried out a fund raising campaign called Partners in Knowledge. Donations from the campaign are accounted for on a cash basis.

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 1988

3. Investment and advances

Details of the investment in a joint venture, Knowledge West Partnership, accounted for on an equity basis are as follows:

	<u>1988</u>	<u>1987</u>
Advances	\$2,329,067	\$2,254,653
Accumulated deficit	<u>(1,159,764)</u>	<u>(885,450)</u>
	1,169,303	1,369,203
Write-down of investment	<u>(631,696)</u>	<u>--</u>
	<u>\$ 537,607</u>	<u>\$1,369,203</u>

Summary financial information relating to the proportionate share of the assets, liabilities and operations reported by the joint venture is as follows:

	<u>1988</u>	<u>1987</u>
Current assets	\$ 9,689	\$ 7,275
Fixed assets	<u>1,171,381</u>	<u>1,369,692</u>
	1,181,070	1,376,967
Current liabilities	<u>11,767</u>	<u>7,764</u>
Equity	<u>\$1,169,303</u>	<u>\$1,369,203</u>
Expenditures	\$ 78,176	\$ 56,869
Depreciation	<u>196,138</u>	<u>196,138</u>
	<u>\$ 274,314</u>	<u>\$ 253,007</u>

The Knowledge Network Communications Corporation has reached agreement in principle for the sale of its interest in the joint venture to Rogers Cable TV Limited. The draft agreement provides for the sale on September 30, 1988, of most of the Corporation's ownership interest in the assets of the joint venture for \$404,815 and for the sale on August 31, 1991 of its remaining 5% interest in certain of the assets for \$36,801.

As the Corporation does not anticipate that the residual balance of its investment after the sale will be recovered, the balance, amounting to \$631,696, has been written off as an extraordinary item in these financial statements.

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 1988

4. Change in accounting estimate

Effective April 1, 1987, the Authority revised the estimated useful life of equipment from ten years to five years. The change in estimated useful life resulted in an increase in the amount of depreciation for the year of \$35,733.

5. Fixed Assets

	<u>Cost</u>	<u>Accumulated Depreciation</u>	1988 <u>Net Book Value</u>	1987 <u>Net Book Value</u>
Furniture & fixtures	\$ 127,205	\$ 58,940	\$ 68,265	\$ 58,219
Equipment	431,984	231,979	200,005	188,355
Earth stations	84,131	84,130	1	1
Network equipment	1,927,322	1,409,055	518,267	274,332
Leasehold improvements	225,208	213,554	11,654	--
	<u>\$2,795,850</u>	<u>\$1,997,658</u>	<u>\$ 798,192</u>	<u>\$ 520,907</u>

6. Surplus

Surplus substantially represents funding received from the Provincial Government which has been used for the acquisition of fixed assets and for making advances to the subsidiary company.

7. Agency funds

- a) The Authority holds funds of \$397,560 (1987-nil) for the Discovery Training Network project. During the period ended March 31, 1988, the project received grants of \$710,501 (\$310,501 from the Government of Canada and \$400,000 from the Province of British Columbia) and disbursed operating expenditures of \$204,082 and capital expenditures of \$108,859.
- b) The Authority holds funds of \$6,779 (1987-\$14,466) on behalf of the Open University Consortium of British Columbia for travel and administration.

8. Commitments

- a) At March 31, 1988, the Authority had outstanding commitments of \$482,994 (1987 - \$168,558) for fixed asset and program acquisitions.
- b) The minimum annual contractual obligations of operating leases are as follows:

1989	135,385
1990	121,893
1991	2,618
- c) Knowledge-West Communications Corporation has commitments to the joint venture, Knowledge West Partnership, for maintenance and space rental of the cable system up to September 30, 1988. These commitments will amount to approximately \$35,000.

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 1988

9. Subsequent events

- a) As explained in Note 1, the Authority was dissolved as of April 1, 1988.
- b) As explained in Note 3, the subsidiary of the Authority, the Knowledge-West Communications Corporation, has reached an agreement in principle to sell its interest in the joint venture to Rogers Cable TV Limited.

10. Comparative figures

Certain 1987 figures have been restated in order to conform with financial statement presentation adopted in 1988.

LEGAL SERVICES SOCIETY



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230


AUDITOR'S REPORT

To the Chairman and Members of the
Legal Services Society, and

To the Attorney General,
Province of British Columbia

I have examined the balance sheet of the Legal Services Society as at March 31, 1988 and the statements of income and expenditures and accumulated income over expenditures for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Society as at March 31, 1988 and the results of its operations for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.


George L. Morfitt, F.C.A.
Auditor General

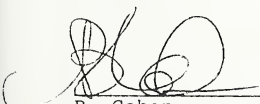
Victoria, British Columbia
May 30, 1988

LEGAL SERVICES SOCIETY
BALANCE SHEET
AS AT MARCH 31, 1988

ASSETS	1988	1987
Cash and term deposits	\$5,173,536	\$3,314,106
Accounts receivable - related parties	179,833	112,470
- other	75,314	33,935
Prepaid expenses	72,804	73,771
	<u>\$5,501,487</u>	<u>\$3,534,282</u>
LIABILITIES		
Accounts payable - general	\$ 360,210	\$ 284,969
- tariff	3,460,079	2,197,208
Professional staff benefit plan	<u>247,323</u>	<u>241,300</u>
	<u>4,067,612</u>	<u>2,723,477</u>
ACCUMULATED INCOME OVER EXPENDITURES		
Unappropriated	-	810,805
Reserve for tariff expenditures	1,433,875	-
	<u>1,433,875</u>	<u>810,805</u>
	<u>\$5,501,487</u>	<u>\$3,534,282</u>

The accompanying notes are an integral part
of these financial statements.

Approved by the Board:


B. Cohen
Vice-Chairman


L. Hollstedt
Director

LEGAL SERVICES SOCIETY
STATEMENT OF INCOME AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 1988

INCOME	<u>1988</u>	<u>1987</u>
GRANTS		
Province of British Columbia	\$19,427,467	\$18,235,513
Law Foundation - regular	3,000,000	3,171,848
- supplement	-	518,763
Notary Foundation	<u>199,796</u>	<u>-</u>
	<u>22,627,263</u>	<u>21,926,124</u>
OTHER INCOME		
Interest	452,117	156,825
Legal costs recovered from clients	81,879	98,608
Publications	22,732	22,418
Miscellaneous	<u>5,595</u>	<u>6,676</u>
	<u>562,323</u>	<u>284,527</u>
	<u>23,189,586</u>	<u>22,210,651</u>
EXPENDITURES		
Area directors	104,700	99,389
Board expenses	27,124	19,672
Computer	132,909	150,049
Duty counsel	647,799	635,806
Grants and contracted services	2,318,640	2,167,073
Libraries	106,583	86,447
Miscellaneous	83,025	72,028
Office	548,580	530,533
Premises	437,610	457,548
Publications	81,756	93,178
Salaries and benefits	4,766,430	4,404,380
Tariffs	12,899,553	11,253,265
Transcripts	209,015	276,631
Travel	<u>202,792</u>	<u>183,007</u>
	<u>22,566,516</u>	<u>20,429,006</u>
EXCESS OF INCOME OVER EXPENDITURES FOR THE YEAR	<u>\$ 623,070</u>	<u>\$ 1,781,645</u>

LEGAL SERVICES SOCIETY
STATEMENT OF ACCUMULATED INCOME OVER EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 1988

UNAPPROPRIATED ACCUMULATED INCOME OVER EXPENDITURES <ACCUMULATED EXPENDITURES OVER INCOME>	<u>1988</u>	<u>1987</u>
Balance - beginning of year	\$ 810,805	\$ <970,840>
Excess of income over expenditures	<u>623,070</u>	<u>1,781,645</u>
	1,433,875	810,805
Reserve for tariff expenditures	<u>1,433,875</u>	<u>-</u>
Balance - end of year	<u>-</u>	<u>810,805</u>
RESERVE FOR TARIFF EXPENDITURES		
Balance - beginning of year	-	-
Appropriated during the year	<u>1,433,875</u>	<u>-</u>
Balance - end of year	<u>1,433,875</u>	<u>-</u>
ACCUMULATED INCOME OVER EXPENDITURES	<u>\$1,433,875</u>	<u>\$ 810,805</u>

LEGAL SERVICES SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1988

1. Organizational objectives

Under the Legal Services Society Act the objects of the Society are to ensure that:

- (a) services ordinarily provided by a lawyer are afforded to individuals who would not otherwise receive them because of financial or other reasons; and
- (b) education, advice and information about law are provided for the people of British Columbia.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles except that:

- property and equipment are recorded as operating expenditures at the time of acquisition; and
- client contributions and awarded costs are recorded on a cash basis.

3. Commitments

The Society has commitments under long-term operating leases for the following:

	<u>OFFICE PREMISES</u>	<u>COMPUTER EQUIPMENT</u>	<u>TOTAL</u>
1989	\$ 246,449	\$ 7,585	\$254,034
1990	183,244	--	183,244
1991	139,496	--	139,496
1992	100,878	--	100,878
1993	8,287	--	8,287
	<u>\$ 678,354</u>	<u>\$ 7,585</u>	<u>\$ 685,939</u>

The Society's head office premises are provided at a reduced rent. The difference between the market value of the rent and the rent paid is approximately \$228,000 a year. These premises are provided under an agreement that expires on May 31, 1999.

4. Reserve for tariff expenditures

By resolution on June 22, 1988, the Board of Directors of the Society appropriated the accumulated excess of income over expenditures of the Society as a reserve for tariff expenditures.

Notes to 1987/88 Financial Statements
Page Two

5. Related parties

In 1988, the Society received 84% (1987 - 82%) of its income from the Province of British Columbia and 13% (1987 - 17%) of its income from the Law Foundation of British Columbia. The Society depends on funding from these two sources for the continuance of its operations.

Under cost sharing agreements approximately 50% of the Society's expenditures on legal aid are recoverable by the Province of British Columbia from the Government of Canada.

The Province pays certain telephone and postage costs of the Society and provides audit services that are not included in the expenditures. In 1988, these costs amounted to \$246,091 (1987 - \$207,100).

MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230


AUDITOR'S REPORT

To the Chairman of the
Medical Services Commission of British Columbia, and

To the Minister of Health,
Province of British Columbia:

I have examined the balance sheet of the Medical Services Commission of British Columbia as at March 31, 1988 and the statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1988 and the results of its operations for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.


George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
July 8, 1988

MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA

BALANCE SHEET

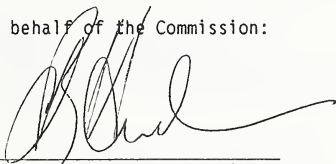
AS AT MARCH 31, 1988

(thousands of dollars)

	<u>1988</u>	<u>1987</u>
<u>ASSETS</u>		
Cash	\$ 7,065	\$ 5,847
Accounts Receivable	4,625	6,559
Due from the Province of British Columbia	<u>162,383</u>	<u>148,548</u>
	<u>\$174,073</u>	<u>\$160,954</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,432	\$ 1,499
Premiums Received in Advance	70,038	57,873
Unpaid Claims	<u>102,603</u>	<u>101,582</u>
	<u>\$174,073</u>	<u>\$160,954</u>

The accompanying notes are an integral part
of these financial statements.

On behalf of the Commission:



Dr. C. B. Henderson, Chairman

MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 1988

(thousands of dollars)

	<u>1988</u>	<u>1987</u>
REVENUE		
Subscribers' Premiums	\$ 421,154	\$380,803
Premium Assistance - Province of British Columbia (note 3)	<u>102,334</u>	<u>90,270</u>
	<u>523,488</u>	<u>471,073</u>
EXPENDITURE		
Service Costs		
Medical Care	942,162	897,498
Supplementary Care	<u>59,627</u>	<u>65,409</u>
	<u>1,001,789</u>	<u>962,907</u>
Administration		
Data Processing	7,599	7,612
General Office	3,608	3,400
Salaries	<u>13,158</u>	<u>12,892</u>
	<u>24,365</u>	<u>23,904</u>
	<u>1,026,154</u>	<u>986,811</u>
Excess of Expenditure over Revenue	(502,666)	(515,738)
Contributions from the Province of British Columbia	<u>502,666</u>	<u>515,738</u>
	<u>\$ -</u>	<u>\$ -</u>

MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

1. The Commission

The Medical Services Commission was established, effective July 1, 1968, by the Government of the Province of British Columbia under the Medical Service Act and Regulations, to administer and operate the Medical Services Plan.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles, except as modified by note 'b' below. The significant accounting policies adopted in the preparation of these financial statements are as follows:

a) Premium Revenues

Premium revenues are recognized when earned.

b) Benefits and Administration Expenditure

All expenditures are recorded on an accrual basis except for expenditures relating to certain benefit plans available to members of the British Columbia Medical Association. The benefit plan expenditures are recorded on a cash basis because accruals cannot be determined with a reasonable degree of certainty and their estimation is impracticable.

The cost of furniture and equipment is charged to administration expense in the year of acquisition.

c) Unpaid Claims

Unpaid claims includes a provision for unrepresented and unprocessed claims for services provided, and is based on past claim experience and trends.

d) Recovery Due to Overutilization

Under the term of a memorandum of agreement between the Commission and the British Columbia Medical Association, the Commission is entitled to recover payments made for medical services in excess of an agreed amount, and considered to have arisen due to overutilization of the services. The recovery, if any, is recognized when an agreement is signed between the parties regarding the overutilization of the services. The amount of the recovery is recorded as a reduction of expenditure.

MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

3. Premium Assistance - Province of British Columbia

Premium assistance represents premium subsidies for qualified subscribers whose incomes are below specified amounts.

4. Recovery due to Overutilization

A recovery in the amount of \$11,862,326 with respect to overutilization of medical services in the 1986/87 fiscal year was agreed by the parties in July 1987, and has been recognized in the current year. No agreement has been reached regarding overutilization of the services for the current year as at the date of the auditor's report.

5. Relationship with the Province of British Columbia

The Ministry of Health absorbs certain administration and accommodation costs associated with the operations of the Commission.

6. Subsequent Events

- a) During the year ended March 31, 1988, premiums under the Medical Services Plan were remitted directly to the Commission. Amendments to the Medical Service Act Regulations approved by Order-in-Council dated March 25, 1988, require that premiums under the Plan be remitted to the Minister of Finance and Corporate Relations. The change in the accounting for premiums has been effected commencing April 1, 1988.
- b) Subsequent to March 31, 1988, an action was commenced by physicians in the section of Emergency Medicine of the British Columbia Medical Association claiming damages, together with interest and costs, for payments allegedly withheld by the Commission. The amount of the damages is not stated in the Writ of Summons served on the Commission. It is the opinion of the Commission's management and its legal counsel that the physicians have no cause of action.

(Prepared Without Audit)

PACIFIC COACH LINES LIMITED


President

PACIFIC COACH LINES LIMITED
STATEMENT OF OPERATIONS AND DEFICIT
(PREPARED WITHOUT AUDIT)

	<u>Year Ended March 31</u>	
	<u>1988</u>	<u>1987</u>
Revenue:		
Rental and sundry revenue	\$ 2,500	\$ 72,330
Interest on short term deposits	<u>74,612</u>	<u>52,776</u>
	<u>77,112</u>	<u>125,106</u>
Expenses:		
Wages and benefits	---	20,151
Professional fees	1,163	133
Other operating expenses	2,888	31,673
Depreciation	<u>58</u>	<u>698</u>
	<u>4,109</u>	<u>52,655</u>
Income (loss) before extraordinary items	73,003	72,451
Correction of Prior Year's Income	(4,293)	---
Extraordinary income (expense) relating to privatization:		
Gain on sale of fixed assets	<u>623,944</u>	<u>---</u>
Income (loss) for year	692,654	72,451
Deficit, beginning of year	<u>1,921,772</u>	<u>1,994,223</u>
Deficit, end of year	<u>\$1,229,118</u>	<u>\$1,921,772</u>

PROVINCIAL CAPITAL COMMISSION



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Chairman and Members of the
Provincial Capital Commission, and

To the Minister of Municipal Affairs, Recreation and Culture
Province of British Columbia:

I have examined the balance sheet of the Provincial Capital Commission as at March 31, 1988 and the statement of revenue, expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1988 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Capital Commission Act. In my opinion, except for the matter reported in the subsequent paragraph, these transactions were, in all significant respects, in compliance with the Act.

The Provincial Capital Commission is required by section 10 of the Act to obtain approval from the Lieutenant Governor in Council for each capital project having an estimated cost of more than \$200,000. The Commission obtained approval from the Lieutenant Governor in Council authorizing a total expenditure of \$578,000 for a specific capital project. This project was completed during the year ended March 31, 1988 for a total cost of \$680,559, resulting in an unauthorized expenditure of \$102,559. This excess expenditure was charged to unappropriated surplus.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
August 12, 1988

PROVINCIAL CAPITAL COMMISSION

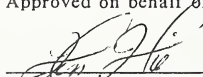
BALANCE SHEET

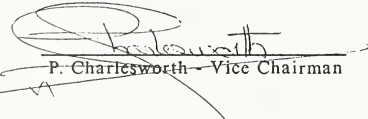
AS AT MARCH 31, 1988

	<u>1988</u>	<u>1987</u>
ASSETS		
Cash	\$ 93,265	\$ 45,906
Short-term investments (at cost which approximates market value)	1,835,157	2,200,827
Accounts receivable	56,690	216,384
Inventory	9,072	10,208
Prepaid expenses	34,907	15,935
Property	<u>1</u>	<u>1</u>
	<u>\$2,029,092</u>	<u>\$2,489,261</u>
LIABILITIES		
Due to Province of British Columbia	\$ 65,795	\$ 42,408
Accounts payable and accrued liabilities	<u>113,579</u>	<u>220,599</u>
	<u>179,374</u>	<u>263,007</u>
SURPLUS		
Appropriated	332,057	886,854
Unappropriated	1,517,660	1,339,399
Contributed	<u>1</u>	<u>1</u>
	<u>1,849,718</u>	<u>2,226,254</u>
	<u>\$2,029,092</u>	<u>\$2,489,261</u>

The accompanying notes are an integral part of
these financial statements.

Approved on behalf of the Commission:


K.A.S. Hill - Chairman


P. Charlesworth - Vice Chairman

PROVINCIAL CAPITAL COMMISSION

STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

FOR THE YEAR ENDED MARCH 31, 1988

	Operations					Total
	Reaification		General		Crystal Gardens	
	1988	1987	1988	1987	1988	1987
REVENUE						
Grants (note 3)	\$255,000	\$255,000	\$ 300,000	\$ 361,754	\$ -	\$ 616,754
Admissions	-	-	-	-	434,939	562,117
Ballroom, lounge rental and bar sales	-	-	-	-	171,170	169,792
Interest	-	-	183,729	193,276	-	183,729
Tenant rentals	-	-	640,452	549,861	-	196,263
Other revenue	-	-	8,357	12,381	220,157	860,609
					18,222	26,519
					844,488	977,784
					2,232,026	2,350,056
EXPENDITURE						
Operating (Schedule 1)	-	-	794,849	704,203	916,563	1,620,766
Capital (Schedule 2)	283,409	190,951	628,030	234,109	-	911,439
					-	425,060
					2,608,562	2,045,826
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	(28,409)	64,049	(290,341)	178,960	61,221	304,230
SURPLUS (DEFICIT) - BEGINNING OF YEAR	300,188	236,139	2,503,014	2,324,054	(576,949)	1,922,023
- END OF YEAR	\$271,779	\$300,188	\$2,212,673	\$2,503,014	\$(576,949)	\$2,226,253
SURPLUS - APPROPRIATED (Schedule 2)						
- UNAPPROPRIATED						
					\$ 332,057	\$ 886,854
					1,517,660	1,339,399
					\$1,849,717	\$2,226,253

PROVINCIAL CAPITAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1988

1. THE COMMISSION

The Provincial Capital Commission operates under authority of the Capital Commission Act.

The Commission is responsible for the following:

- . advising on the planning and funding of improvement and beautification projects in the Capital Improvement District;
- . controlling and managing specific approved projects not under the direct control of member municipalities;
- . co-ordinating construction and development work of all construction proposals on land controlled or owned by the Province in the Capital Improvement District;
- . serving Greater Victoria through co-operation with local municipalities and by assistance funding to approved improvement and beautification projects; and
- . operating the Crystal Gardens and St. Ann's Academy building.

2. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed in the preparation of these financial statements are:

a) Inventory

Inventory is valued at the lower of cost and net realizable value.

b) Property

Property is comprised of land and buildings owned by the Commission and is recorded at a nominal value of one dollar. The costs of purchasing such assets and making capital improvements to them are written off when incurred.

c) Appropriated Surplus

Appropriated Surplus is comprised of balances of amounts approved by Orders-in-Council for capital projects which are not yet completed. Such projects are undertaken in cooperation with Capital Improvement District municipalities.

PROVINCIAL CAPITAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1988

3. GRANT REVENUES

Grant Revenues represent the following payments received by the Commission during the 1988 fiscal year:

- Ministry of Municipal Affairs, Recreation and Culture:
 - . \$300,000 to cover operating expenses; and
 - . \$255,000 appropriated to the Beautification fund.

4. RELATED PARTY TRANSACTIONS

The Provincial Capital Commission is a corporation which operates under the Capital Commission Act, with the Minister responsible being the Minister of Municipal Affairs, Recreation and Culture.

Under the Act, the Province of British Columbia exercises control over the financial and operating decisions of the Commission by the following means:

- eight of the fourteen Commission members are appointed by the Lieutenant Governor in Council;
- bylaws are brought into force upon approval of the Lieutenant Governor in Council; and
- the approval of the Lieutenant Governor in Council is required for a capital project that has an estimated cost of more than \$200,000 and a capital project that is undertaken in cooperation with a local municipality or other authority (Schedule 2).

In the normal course of its operations during the year, the Commission participated in the following transactions with the Province of British Columbia:

- the Ministry of Finance and Corporate Relations acted as fiscal agent for the Commission;
- the Ministry of Finance and Corporate Relations provided grants to fund the Commission's operations and capital projects;
- the Commission acquired and provided other goods and services from the Province and certain Crown corporations, predominantly under prevailing trade terms.

5. RECLASSIFICATIONS

Certain 1987 figures have been reclassified in order to conform with the presentation adopted in 1988.

Schedule 1

PROVINCIAL CAPITAL COMMISSION
SCHEDULE OF OPERATING EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1988

	<u>General Operations</u>		<u>Crystal Gardens</u>		<u>Total</u>
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>	
Advertising and promotion	\$ 29,594	\$ 16,989	\$132,108	\$ 87,723	\$ 161,702
Aviary	-	-	33,290	28,894	33,290
Bad debts	-	39	154	142	181
Ballroom, lounge and bar	-	-	65,410	66,866	66,866
Commissions	46,373	40,045	-	-	46,373
Capital expenditures	57,922	84,124	-	-	57,922
Freight	-	-	1,549	1,959	1,549
Horticultural	-	-	33,277	33,983	33,277
Insurance	22,554	18,036	23,131	17,216	45,685
Janitorial	14,541	12,960	53,389	60,364	67,930
Landscaping	37,769	31,244	-	-	37,769
Miscellaneous	3,764	10,064	26,287	14,711	30,051
Office	39,355	30,859	6,029	8,595	45,384
Professional services	28,832	17,885	-	2,500	20,385
Property taxes	38,637	42,198	41,724	32,806	80,361
Rent	3,479	3,479	-	-	3,479
Repairs and maintenance	73,338	19,046	75,990	146,558	149,328
Salaries and benefits	336,784	313,162	291,116	274,340	627,900
Security	8,358	6,307	30,960	28,922	39,318
Telephone	3,338	4,451	4,444	4,875	7,782
Tours	-	-	15,019	43,774	15,019
Travel	154	1,900	3,069	2,653	4,553
Utilities	50,057	48,715	65,328	59,682	115,385
Wharfinger services	-	-	-	-	-
	<u>\$794,849</u>	<u>\$704,201</u>	<u>\$902,274</u>	<u>\$916,563</u>	<u>\$1,697,123</u>
					<u>\$1,620,766</u>

Schedule 2

PROVINCIAL CAPITAL COMMISSION
 SCHEDULE OF APPROPRIATED SURPLUS
 FOR THE YEAR ENDED MARCH 31, 1988

	Balance at Beginning of Year	Authorized Additions During the Year	Capital Expenditures During the Year	Transfers To Unappro- priated Surplus	Balance at End of Year
<u>Beautification</u>					
Colquitz Creek	\$ 7,694	\$ -	\$ -	\$ 7,694	\$ -
Fleming Beach	22,956	-	22,903	53	-
Brentwood Bay Pioneer Park	32,100	-	32,100	-	-
West Bay Development Phase I	16,213	162,030	119,867	-	58,376
Cuthbert Holmes Park	194,000	-	88,539	-	105,461
Douglas Street/Saanich	<u>20,000</u>	<u>99,800</u>	<u>20,000</u>	<u>-</u>	<u>99,800</u>
	<u>292,963</u>	<u>261,830</u>	<u>283,409</u>	<u>7,747</u>	<u>263,637</u>
<u>General</u>					
812 Wharf Street	479,844	-	582,403	(102,559)	-
468/470 Belleville Street	<u>114,047</u>	<u>-</u>	<u>45,627</u>	<u>-</u>	<u>68,420</u>
	<u>593,891</u>	<u>-</u>	<u>628,030</u>	<u>(102,559)</u>	<u>68,420</u>
	<u>\$886,854</u>	<u>\$261,830</u>	<u>\$911,439</u>	<u>\$(94,812)</u>	<u>\$332,057</u>

PROVINCIAL RENTAL HOUSING CORPORATION



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Shareholder of the Provincial Rental
Housing Corporation, and

To the Minister of Social Services and Housing
Province of British Columbia

I have examined the statement of financial position of the Provincial Rental Housing Corporation as at December 31, 1987 and the statements of revenue, expenses and accumulated return of investment and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

A handwritten signature in dark ink, appearing to read "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
February 29, 1988

PROVINCIAL RENTAL HOUSING CORPORATION

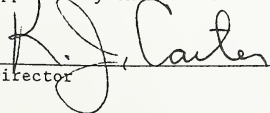
STATEMENT OF FINANCIAL POSITION


AS AT DECEMBER 31, 1987

<u>ASSETS</u>	<u>1987</u>	<u>1986</u>
CURRENT ASSETS		
Amortization revenue receivable	\$ 115,521	\$ 150,356
Prepaid expenses	<u>15,360</u>	<u>14,698</u>
	<u>130,881</u>	<u>165,054</u>
INVESTMENT IN RENTAL HOUSING (Note 3)	<u>71,678,600</u>	<u>73,013,128</u>
	<u>\$ 71,809,481</u>	<u>\$ 73,178,182</u>
 <u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>		
CURRENT LIABILITIES		
Accrued interest payable	\$ 115,196	\$ 4,841,198
Current portion of long-term debt	<u>-</u>	<u>611,059</u>
	115,196	5,452,257
LONG-TERM DEBT (Note 4)	<u>70,991,763</u>	<u>67,023,403</u>
	<u>71,106,959</u>	<u>72,475,660</u>
SHARE CAPITAL		
Authorized 10,000 common shares of no par value		
Issued and fully paid - 3 shares	3	3
CONTRIBUTED SURPLUS	\$ 669,076	\$ 669,076
RETAINED EARNINGS	<u>33,443</u>	<u>33,443</u>
	<u>702,522</u>	<u>702,522</u>
	<u>\$ 71,809,481</u>	<u>\$ 73,178,182</u>

The accompanying notes are an integral part of these financial statements.

Approved by the Board:


Director


Director

PROVINCIAL RENTAL HOUSING CORPORATION
 STATEMENT OF REVENUE, EXPENSES
 AND ACCUMULATED RETURN OF INVESTMENT
 FOR THE YEAR ENDED DECEMBER 31, 1987

	<u>1987</u>	<u>1986</u>
AMORTIZATION REVENUE (Note 2(a))	\$ 8,600,310	\$ 8,696,516
EXPENSES		
Interest on long-term debt	7,239,620	7,243,484
Insurance	26,162	21,766
Loss on disposal of rental housing properties	<u>-</u>	<u>51,287</u>
	<u>7,265,782</u>	<u>7,316,537</u>
EXCESS OF REVENUE OVER EXPENSES	1,334,528	1,379,979
ACCUMULATED RETURN OF INVESTMENT		
Balance at beginning of year	<u>16,412,933</u>	<u>15,032,954</u>
Balance at end of year (Note 3)	<u>\$ 17,747,461</u>	<u>\$ 16,412,933</u>

PROVINCIAL RENTAL HOUSING CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1987

	<u>1987</u>	<u>1986</u>
CASH PROVIDED BY INVESTMENT ACTIVITIES		
Excess of revenue over expenses	\$ 1,334,528	\$ 1,379,979
Add item not involving a current cash flow:		
Loss on disposal of rental housing properties	<u>-</u>	<u>51,287</u>
	1,334,528	1,431,266
Proceeds from disposal of rental housing properties	-	500,607
Decrease (increase) in amortization revenue receivable	34,835	(150,356)
(Increase) in prepaid expenses	(662)	(3,781)
(Decrease) increase in accrued interest payable	<u>(4,726,002)</u>	<u>138,804</u>
	(3,357,301)	1,916,540
CASH APPLIED TO FINANCING ACTIVITIES		
Net increase (decrease) of outstanding debt	<u>3,357,301</u>	<u>(1,916,540)</u>
CASH, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

PROVINCIAL RENTAL HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987

1. THE CORPORATION

The Provincial Rental Housing Corporation is incorporated under the Company Act of the Province of British Columbia. The Corporation is wholly owned by the Province of British Columbia, and is an agent of the Crown.

The Corporation has been involved in the acquisition and funding of social housing projects. It holds investment in such housing projects, the cost of which it expects to recover over periods of approximately 50 years. The rental housing units of the Corporation are managed by the British Columbia Housing Management Commission.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles appropriately modified, as disclosed below, to reflect the nature and purpose of the Corporation.

a) Amortization Revenue

Amortization revenue represents amounts charged to the British Columbia Housing Management Commission based on the capital and interest costs of the housing units amortized generally over 50 years.

b) Investment in Rental Housing

Investment in rental housing is stated at cost less accumulated return of investment. The accumulated return of investment consists of the excess of revenue over expenses including gains and losses on disposal of rental properties. Gains and losses on disposal of rental properties are calculated on the basis of cost of investment in rental housing before deducting accumulated return of investment.

3. INVESTMENT IN RENTAL HOUSING

The investment of the Corporation in subsidized rental housing at December 31, 1987 was comprised of 100 projects and consisted of the following:

	1987	1986
Properties eligible for Federal loans	\$ 63,482,033	\$ 63,482,033
Provincial share of joint Federal/ Provincial properties	24,916,155	24,916,155
Property not eligible for Federal loans	<u>1,027,873</u>	<u>1,027,873</u>
	89,426,061	89,426,061
Less - accumulated return of investment	<u>17,747,461</u>	<u>16,412,933</u>
	<u>\$ 71,678,600</u>	<u>\$ 73,013,128</u>

PROVINCIAL RENTAL HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987

4. LONG-TERM DEBT

	<u>1987</u>	<u>1986</u>
Province of British Columbia		
9.75% Debenture	\$ 24,373,641	\$ 20,286,907
11.25% Mortgage loan	<u>1,023,328</u>	<u>1,025,052</u>
	25,396,969	21,311,959
Canada Mortgage and Housing Corporation		
Debenture mortgage loans	<u>45,594,794</u>	<u>46,322,503</u>
	70,991,763	67,634,462
Less - current portion	<u>-</u>	<u>611,059</u>
	<u>\$ 70,991,763</u>	<u>\$ 67,023,403</u>

- (a) The provincial debenture is repayable on demand and is secured by a first floating charge on all the property, assets and undertakings of the Corporation.

The provincial mortgage loan is repayable over 35 years. The loan bears interest at 11.25% compounded yearly and is a registered mortgage against the property. The interest rate was reduced from 14.50% effective January 1, 1987.

- (b) The debenture mortgage loans are repayable to the Canada Mortgage and Housing Corporation over terms of up to fifty years. These loans bear interest at rates from 8% to 10.75% and are secured by unregistered first mortgages on properties with a cost of \$56,241,089.

The aggregate repayments of principal required to meet debt obligations in each of the next five years are estimated to be as follows:

1988	-
1989	130,143
1990	143,090
1991	157,334
1992	173,005

5. ADMINISTRATION COSTS

No administration costs are charged to the Corporation for services performed by personnel of the Ministry of Social Services and Housing.

**SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT**

Coopers
& Lybrand

chartered accountants

a member firm of
Coopers & Lybrand (International)

**AUDITORS' REPORT
TO THE MINISTER OF UNIVERSITIES,
SCIENCE AND COMMUNICATIONS**

We have examined the balance sheet of The Science Council of British Columbia and Secretariat on Science, Research and Development as at March 31, 1988 and the statements of research receipts, expenditures and appropriations; T.E.S.T. receipts, expenditures and appropriations; and operations receipts, expenditures and appropriations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Council and Secretariat as at March 31, 1988 and the results of their operations for the year then ended in accordance with generally accepted accounting principles, as modified by note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Vancouver, B.C.
May 10, 1988


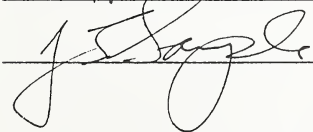
THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT

BALANCE SHEET AS AT MARCH 31, 1988

	1988 \$	1987 \$
A S S E T S		
CASH AND SHORT-TERM DEPOSITS	3,007,343	2,985,688
ACCOUNTS RECEIVABLE	262,784	33,435
PREPAID EXPENSES	<u>2,217</u>	<u>1,611</u>
	<u>3,272,344</u>	<u>3,020,734</u>
L I A B I L I T I E S		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	<u>111,304</u>	<u>96,018</u>
A P P R O P R I A T I O N S		
RESEARCH (note 2)	2,941,025	2,603,061
TRAINING EMPLOYMENT IN SCIENCE AND TECHNOLOGY (T.E.S.T.) (note 3)	180,980	252,083
OPERATIONS	<u>39,035</u>	<u>69,572</u>
	<u>3,161,040</u>	<u>2,924,716</u>
	<u>3,272,344</u>	<u>3,020,734</u>

COMMITMENTS (Schedule and notes 2 and 3)

APPROVED BY THE COUNCIL AND SECRETARIAT

THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT
STATEMENT OF RESEARCH RECEIPTS, EXPENDITURES AND APPROPRIATIONS
FOR THE YEAR ENDED MARCH 31, 1988

	1988 \$	1987 \$
RESEARCH RECEIPTS		
Grants from the Province of British Columbia	3,500,000	3,500,000
Interest	250,161	225,010
Refunds of prior years' research expenditures	107,068	82,036
Strategic Planning for Applied Research and Knowledge (S.P.A.R.K.) recoveries	100,000	
Contributions - Supercomputer Study	13,500	
Other	<u>230</u>	<u>454</u>
	<u>3,970,959</u>	<u>3,807,500</u>
RESEARCH EXPENDITURES - see Schedule		
Research grants	3,015,528	2,838,723
Industrial Post-Doctoral Fellowships (IPDF)	192,720	228,125
Graduate Research Engineering and Technology (GREAT) awards		507,000
Science and Engineering awards	23,973	19,799
Special requests	127,956	90,215
Special projects	89,366	86,447
Honoraria and other expenses	11,159	8,950
Strategic Planning for Applied Research and Knowledge (S.P.A.R.K.)	<u>172,293</u>	
	<u>3,632,995</u>	<u>3,779,259</u>
EXCESS OF RECEIPTS OVER EXPENDITURES	337,964	28,241
RESEARCH APPROPRIATIONS - BEGINNING OF YEAR	<u>2,603,061</u>	<u>2,574,820</u>
RESEARCH APPROPRIATIONS - END OF YEAR (encumbered by outstanding commitments) (note 2)	<u>2,941,025</u>	<u>2,603,061</u>

THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT
STATEMENT OF T.E.S.T. RECEIPTS, EXPENDITURES AND APPROPRIATIONS
FOR THE YEAR ENDED MARCH 31, 1988 (note 3)

	Year ended March 31, 1988 \$	Period from December 1, 1986 to March 31, 1987 \$
T.E.S.T. RECEIPTS		
Grants from the Province of British Columbia	382,171	250,000
Grants from the Government of Canada	60,071	15,052
Interest income	<u>23,031</u>	<u>2,083</u>
	<u>465,273</u>	<u>267,135</u>
T.E.S.T. EXPENDITURES (GRANTS)	481,749	
T.E.S.T. EXPENDITURES (OPERATIONS)		
Administration and accounting	8,587	6,496
Courier, communications and travel	1,241	495
Rent	5,856	813
Salaries and employee benefits	38,071	4,855
Utilities and supplies	<u>872</u>	<u>2,393</u>
	<u>536,376</u>	<u>15,052</u>
(DEFICIENCY) EXCESS OF RECEIPTS OVER EXPENDITURES	(71,103)	252,083
T.E.S.T. APPROPRIATIONS - BEGINNING OF PERIOD	<u>252,083</u>	_____
T.E.S.T. APPROPRIATIONS - END OF PERIOD (encumbered by outstanding commitments) (note 3)	<u>180,980</u>	<u>252,083</u>

THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT
STATEMENT OF OPERATIONS RECEIPTS, EXPENDITURES AND APPROPRIATIONS
FOR THE YEAR ENDED MARCH 31, 1988

	1988 \$	1987 \$
OPERATIONS RECEIPTS		
Grants from the Province of British Columbia	300,000	300,000
Interest	12,906	12,163
Recoveries -		
Advanced Systems Foundation	4,071	
British Columbia Health Care Research Foundation	120,629	112,843
Other		134
Training Employment in Science and Technology	<u>54,627</u>	<u>15,052</u>
	<u>492,233</u>	<u>440,192</u>
EXPENDITURES		
Computer services	2,707	5,748
Consulting and temporary staff	3,865	4,466
Furniture and equipment	4,108	11,430
Leasehold improvements	467	49,538
Long-term planning study		40,000
Meetings	9,214	4,593
Personnel - recruitment	36,158	
Photocopying and printing	31,944	20,050
Postage and courier	18,937	7,722
Professional fees	5,669	5,580
Publications	2,362	2,434
Rent	54,660	38,240
Salaries and employee benefits	317,465	267,396
Stationery and supplies	3,773	4,597
Telephone	16,287	11,523
Travel	<u>15,154</u>	<u>9,914</u>
	<u>522,770</u>	<u>483,231</u>
DEFICIENCY OF RECEIPTS OVER EXPENDITURES	(30,537)	(43,039)
OPERATIONS APPROPRIATIONS - BEGINNING OF YEAR	<u>69,572</u>	<u>112,611</u>
OPERATIONS APPROPRIATIONS - END OF YEAR	<u>39,035</u>	<u>69,572</u>

THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

1. ACCOUNTING POLICIES

Fixed Assets

Fixed assets are not capitalized and depreciated as assets of the Council and Secretariat, but are written off in the period in which they are purchased.

Research Grants

Outstanding research grant commitments are conditional on receipt of satisfactory progress reports and are not recorded until actually disbursed.

2. RESEARCH GRANT COMMITMENTS (see Schedule)

During the year, the Council approved funding for research projects, IPDF's, GREAT's, Science and Engineering awards, special requests, special projects, honoraria and other expenses totalling \$4,184,017. At March 31, 1988, known outstanding commitments totalled \$2,830,549 which, together with additional estimated renewed commitments for the year ending March 31, 1989 of \$1,696,850, amount to \$4,527,399 in known and estimated outstanding commitments.

3. TRAINING EMPLOYMENT IN SCIENCE AND TECHNOLOGY

The program is a joint federally and provincially funded incentive program whereby financial assistance is available to firms and corporations that hire post-secondary graduates in the fields of science, engineering and technology. It is administered by the Secretariat under contract to the B.C. Ministry of Advanced Education and Job Training, and Employment and Immigration Canada. Administration costs for the program are paid by the Secretariat and are later reimbursed by the federal government. Except for \$129,968 still receivable, funding from the provincial government for the programs has been received. The federal government funds administration costs but disburses funds directly to the grantees. At March 31, 1988, known commitments totalled \$180,980 for provincial grants. The program was funded until March 31, 1988. A review by the two governments is underway and will determine if funding will continue.

THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

4. COMPARATIVE FIGURES

In the year ended March 31, 1988, minor changes have been made in financial statement description and in the classification of certain amounts. These changes are a matter of presentation only and do not represent a change in accounting policy. The financial statements for the year ended March 31, 1987, included for comparative purposes, have been reclassified to conform with the current year's format.

THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT
SCHEDULE OF COMMITMENTS AND DISBURSEMENTS OF SCIENCE COUNCIL RESEARCH GRANTS
FOR THE YEAR ENDED MARCH 31, 1988

	Known outstanding commitments - beginning of year \$	Additional commitments during year \$	Commitment reductions during year \$	Disbursed during year \$	Known outstanding commitments - end of year \$	Estimated renewed commitments 1988 - 1989 \$	Known and estimated outstanding commitments at March 31, 1988 \$
RESEARCH GRANTS							
Research Competition #6	7,970		(9,340)		7,970		7,970
Research Competition #7	97,340		(19,277)	3,248	5,465		5,465
Research Competition #9	277,990				982		982
Research Competition #10	982						
Research Competition #11	33,740		(27,530)	6,210	33,380		33,380
Research Competition #12	205,788		(75,881)	96,527	122,608		122,608
Research Competition #13	261,019		(30,124)	208,287	91,443		91,443
Research Competition #14	841,166		(88)	545,635	168,227		168,227
Research Competition #15	1,006,242	5,349	(13,279)	930,085	619,298		619,298
Research Competition #16		1,345,478	(12,132)	716,253	1,236,371		1,236,371
Research Competition #17		2,071,452		605,283	2,277,761		2,277,761
					1,430,850		
	2,294,237	3,422,319	(187,671)	3,015,528	2,513,357		3,944,207
	142,720	225,000	(43,750)	192,720	131,250		131,250
TDP's							
GRANT'S		50,000			50,000		266,000
STAR'S		23,873					50,000
				23,873			
SCIENCE AND ENGINEERING AWARDS							
SPECIAL REQUESTS							
Arts, Science and Technology Centre - Director	45,000			15,000	30,000		30,000
Arts, Science and Technology Centre - Regional Science Fairs 1987	2,100			2,100	2,100		2,100
Arts, Science and Technology Centre - Regional Science Fairs 1988	3,735	21,000	(3,735)	18,900	2,100		
B.C. Research - Artificial Light	5,230						
B.C.S.T.A./F.I.S.A. Book Prize 1987				1,891	1,891		
B.C.S.T.A./F.I.S.A. Book Prize 1988		10,000		4,005	5,995		5,995
S.T.C. Enterprises - Forest Technology Study	5,150		(5,150)				
Supercomputer Study	10,000			23,500			
Superconductivity Research	5,000	45,000		45,000	5,000		5,000
T.V. Science Show '87 (Pearl Productions)	10,000			9,000	1,000		1,000
Science talks		2,400		2,160	240		240
		6,400		6,400			
CCCT - Shad Valley 1988	86,215	98,300	(12,224)	12,956	44,335		44,335
SPECIAL PROJECTS							
A.G.A.R. Program Review Project	20,000			16,100	3,900		3,900
Public Information	73,266			73,266			
	93,266			89,366	3,900		3,900
	260,000			172,293	87,707		87,707
	11,159			11,159			
	4,184,017		(243,645)	3,632,995	2,830,549		4,527,199
	2,523,172						

STRATEGIC PLANNING FOR APPLIED RESEARCH AND KNOWLEDGE (S.P.A.R.K.)

HONORARIA AND OTHER EXPENSES

Coopers
& Lybrand

SIMON FRASER UNIVERSITY



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of
Simon Fraser University, and

To the Minister of Advanced Education and Job Training,
Province of British Columbia:

I have examined the balance sheet of Simon Fraser University as at March 31, 1988
and the following statements for the year then ended:

- | | |
|-------------|--|
| Statement 2 | - Statement of changes in appropriated
expendable fund balances |
| Statement 3 | - Statement of changes in unappropriated
expendable fund balances |
| Statement 4 | - Statement of changes in non-expendable
fund balances |
| Statement 5 | - Statement of changes in equity in plant
assets |

My examination was made in accordance with generally accepted auditing
standards, and accordingly included such tests and other procedures as I considered
necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of
the University as at March 31, 1988 and the results of its operations and changes in
fund balances for the year then ended in accordance with accounting principles
described in note 1 to the financial statements applied, after giving retroactive
effect to the change in the method of accounting for sponsored research revenue as
explained in note 10 to the financial statements, on a basis consistent with that of
the preceding year.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 10, 1988

Statement 1

SIMON FRASER UNIVERSITY

BALANCE SHEET
AS AT MARCH 31, 1988
(thousands of dollars)

ASSETS	1988	1987	LIABILITIES AND FUND BALANCES	1988	1987
Cash and short-term investments	\$ 42,702	\$ 27,468	Accounts payable and accrued liabilities	\$ 8,579	\$ 8,964
Accounts receivable	5,684	4,295	Loans payable (Note 3)	6,893	1,681
Prepaid expenses	428	316	Long-term debt (Note 4)	45,856	47,960
Inventories	1,862	1,620	Group insurance reserve (Note 5)	946	1,046
Long-term investments (Note 2)	2,329	2,109	Retirement benefits reserve (Note 6)	3,898	3,840
Plant assets			Lease commitment reserve (Note 7)	13,737	
Land and buildings	113,812	110,290	Expendable fund balances		
Equipment	35,495	29,890	Appropriated (Statement 2)	6,458	7,428
Library holdings	22,892	20,855	General operating	1,430	1,309
Leasehold improvements	346		Ancillary enterprises	1,256	1,805
			Capital		
			Unappropriated (Statement 3)		
			General operating	141	145
			Sponsored research	2,545	2,259
			Specific purpose	4,556	2,067
			Ancillary enterprises	140	80
			Capital	1,767	2,035
			Non-expendable fund balances (Statement 4)		
			Endowment	8,179	6,082
			Student loan	83	83
			Equity in plant assets (Statement 5)	119,888	111,059
				\$225,552	\$196,843

Approved:

D. J. Henderson
 D. J. Henderson
 Chairman, Board of Governors

E. M. Scott, Ph. D.
 E. M. Scott, Ph. D.
 Vice President, Finance
 and Bursar

S I M O N F R A S E R U N I V E R S I T Y Statement 2

STATEMENT OF CHANGES IN APPROPRIATED EXPENDABLE FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 1988
(thousands of dollars)

	Balances Beginning of Year	Released to Meet Expenditures	Additions During the Year	Balances End of Year
GENERAL OPERATING FUND				
Authorized allocations to following fiscal year	\$1,481	\$1,025	\$672	\$1,128
Provision for annualized costs	1,654	654	908	908
Provision for non-recurring expenditures	1,495	1,495	2,539	2,539
Provision for research grants carryover	749	299	302	752
Provision for self insurance and appraisal	200	14	(86)	100
Provision for specific expenditure	1,406	1,406	380	380
Provision for systems development	1,343	1,026	434	751
Provision for contingencies	100	-	-	100
	<u>7,428</u>	<u>5,919</u>	<u>5,149</u>	<u>6,658</u>
ANCILLARY ENTERPRISES FUND				
Provision for equipment replacement and capital improvements	309	59	180	430
CAPITAL FUND				
Provision for authorized projects	1,805	1,805	1,256	1,256
	<u>\$9,542</u>	<u>\$7,783</u>	<u>\$6,585</u>	<u>\$8,344</u>
1987 Comparative figures - as restated (Note 11)	<u>\$7,032</u>	<u>\$6,835</u>	<u>\$9,345</u>	<u>\$9,542</u>

S I M O N F R A S E R U N I V E R S I T Y
STATEMENT OF CHANGES IN ACCUMULATED FUND BALANCES
FOR THE YEAR ENDING 31.12.1988
 (thousands of dollars)

	General Operating	Sponsored Research	Specific Purpose	Ancillary Enterprises	Capital	Totals 1988 1987
REVENUES AND OTHER ADDITIONS						
Government grants and contracts	\$69,092	\$1,036	\$5,407	\$ -	\$8,062	\$83,597 \$77,772
Province of British Columbia	-	7,674	3,142	-	-	10,816 8,964
Government of Canada	-	-	1,040	-	-	1,040 2,000
Student fees	14,937	3	1,067	-	-	16,006 13,576
- non-credit courses	910	-	29	-	-	939 618
- other	679	-	-	-	-	679 530
Gifts, grants and contracts	40	550	14,475	-	19	15,084 1,474
Sale of goods and services	-	-	-	5,376	-	5,376 4,685
Investment income	1,367	-	1,476	-	287	3,130 2,898
Miscellaneous income	487	-	488	-	41	1,016 969
Authorized capital borrowings	-	-	-	-	4,793	4,793 3,701
Interest earned on sinking fund	-	-	-	-	748	748 648
	<u>87,512</u>	<u>9,263</u>	<u>26,124</u>	<u>5,376</u>	<u>13,950</u>	<u>142,225 115,810</u>
EXPENDITURES AND OTHER DEDUCTIONS						
Salaries-academic	29,970	626	972	-	-	31,568 29,020
-other instruction and research	5,142	4,842	906	-	-	10,890 9,702
-support staff	24,300	-	2,416	577	-	27,293 25,785
	<u>59,412</u>	<u>5,468</u>	<u>4,294</u>	<u>577</u>	<u>-</u>	<u>69,751 64,507</u>
Total salaries	6,861	291	664	67	-	7,883 6,989
Travel and personnel costs	2,101	793	1,067	263	-	4,061 3,531
Operating and maintenance expenses	1,955	1,204	1,990	53	-	3,142 2,744
Equipment and furnishings	1,928	994	982	30	3,635	7,539 5,224
Equipment and facility rentals	1,661	19	66	2	-	1,748 1,822
Library acquisitions	2,064	-	25	-	-	2,089 1,773
Utilities	1,912	7	44	249	-	2,212 2,485
Scholarships, fellowships and bursaries	3,108	-	808	-	-	3,916 3,470
Contract services	1,555	-	15	176	-	1,746 1,677
Professional fees	1,460	111	336	-	-	1,907 2,101
Renovations and alterations	407	21	28	207	151	814 802
Debt servicing - interest	-	-	-	632	151	783 636
- principal	-	-	-	1,982	2,103	2,185 1,982
Cost of goods sold	-	-	-	2,854	-	2,854 2,288
Capital acquisitions	-	-	-	-	3,870	3,870 3,107
Internal cost allocations	(633)	126	502	5	-	-
External cost recoveries	(2,025)	-	(197)	(26)	-	(2,248) (2,125)
	<u>86,726</u>	<u>9,030</u>	<u>9,914</u>	<u>5,195</u>	<u>15,971</u>	<u>126,836 115,172</u>
TRANSFERS AND APPROPRIATIONS						
Interfund transfers	(1,560)	53	(26)	-	1,204	(329) 2,081
Group insurance transfer	-	-	-	-	-	- 100
Group insurance reserve transfer	-	-	100	-	-	100 (87)
Retirement benefits reserve transfer	-	-	(58)	-	-	(58) (367)
Lease commitment reserve transfer	-	-	(13,737)	-	-	(13,737) -
Change in appropriations (Statement 2)	770	-	-	(121)	549	1,198 (2,510)
	<u>(790)</u>	<u>53</u>	<u>(13,721)</u>	<u>(121)</u>	<u>1,753</u>	<u>(12,826) (381)</u>
Net increase (decrease) during year	(4)	286	2,489	60	(288)	2,563 257
FUND BALANCES AT BEGINNING OF YEAR	145	2,259	2,067	80	2,035	6,586 6,329
FUND BALANCES AT END OF YEAR	<u>\$141</u>	<u>\$2,545</u>	<u>\$4,556</u>	<u>\$140</u>	<u>\$1,767</u>	<u>\$9,149 \$6,586</u>

S I M O N F R A S E R U N I V E R S I T Y

Statement 4

STATEMENT OF CHANGES IN NON-EXPENDABLE FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 1988
(thousands of dollars)

	<u>Endowment</u>	<u>Student Loan</u>	<u>Totals</u> <u>1988</u>	<u>1987</u>
GIFTS, GRANTS AND BEQUESTS	\$1,768	-	\$1,768	\$446
TRANSFER FROM UNAPPROPRIATED EXPENDABLE FUNDS	<u>329</u>	<u>-</u>	<u>329</u>	<u>218</u>
Net increase during the year	2,097	-	2,097	664
FUND BALANCES AT BEGINNING OF YEAR	6,082	\$83	6,165	5,501
FUND BALANCES AT END OF YEAR	<u>\$8,179</u>	<u>\$83</u>	<u>\$8,262</u>	<u>\$6,165</u>

S I M O N F R A S E R U N I V E R S I T YStatement 5STATEMENT OF CHANGES IN EQUITY IN PLANT ASSETS
FOR THE YEAR ENDED MARCH 31, 1988
(thousands of dollars)

	<u>1988</u>	<u>1987</u>
EQUITY INCREASED BY		
Additions to plant assets		
Capitalized acquisitions		
-Capital Fund	\$ 3,870	\$ 3,107
Equipment expensed when acquired		
-General Operating Fund	1,928	1,841
-Sponsored Research Fund	994	779
-Specific Purpose Fund	952	642
-Ancillary Enterprises Fund	30	42
-Capital Fund	3,635	1920
Library acquisitions expensed when acquired		
-General Operating Fund	2,064	1,759
-Specific Purpose Fund	25	14
	<u>13,498</u>	<u>10,104</u>
Repayment of capital borrowings	1,357	1,201
Interest earned on sinking fund	748	648
	<u>15,603</u>	<u>11,953</u>
EQUITY DECREASED BY		
Authorized capital borrowings	4,793	3,701
Land and buildings written off	-	60
Equipment written off	1,928	1,762
Library dispositions	53	50
	<u>6,774</u>	<u>5,573</u>
Net increase during year	8,829	6,380
BALANCE AT BEGINNING OF YEAR	<u>111,059</u>	<u>104,679</u>
BALANCE AT END OF YEAR	<u>\$ 119,888</u>	<u>\$ 111,059</u>

S I M O N F R A S E R U N I V E R S I T YNOTES TO FINANCIAL STATEMENTSFOR THE YEAR ENDED MARCH 31, 19881) SIGNIFICANT ACCOUNTING POLICIESa) General

These financial statements have been prepared with reference to accounting principles described in the "Guide to Accounting Principles, Practices and Standards of Disclosure for Universities and Colleges of Canada", published by the Canadian Association of University Business Officers (CAUBO).

b) Fund Accounting

Fund accounting procedures are employed in order to recognize restrictions placed on the use of resources by donors, granting agencies, or the Board of Governors. Separate accounts are maintained for each fund to ensure observance of these restrictions. For financial reporting purposes, the Balance Sheet combines the assets and liabilities of all funds.

Funds are classified as expendable or non-expendable. Expendable funds may be expended within applicable restrictions. Non-expendable funds are held to generate investment income or to provide loans to students.

Expendable funds:

- General Operating

Funds for general operations of the University under the direction of the Board of Governors.

- Sponsored Research

Funds in the form of grants, contracts and gifts designated for the support of research activities.

- Specific Purpose

Funds restricted externally or internally for specific projects and purposes.

- Ancillary Enterprises

Funds for the residences and bookstore, which provide goods and services supplementary to the primary functions of teaching and research. These enterprises operate on a self-supporting basis.

- Capital

Funds provided for the acquisition of capital assets, renovations, and repayment of long term debt.

Non-expendable funds

- Endowment

Funds maintained as principal to generate income for defined purposes.

- Student Loan

A revolving fund from which short-term loans are made to students.

c) Accrual Accounting

The University follows the accrual basis of accounting. Revenue is recorded when receivable and expenditures are recorded when goods or services are received, except that pension payments resulting from early retirement agreements are expensed as payments are made to retired employees or as annuities are purchased on their behalf.

d) Appropriations

Appropriations are established by the Board of Governors to provide for specific requirements in subsequent fiscal years and are released when the related expenditures have been made.

e) Investments

Investments are recorded at cost or, where donated, at fair market value. Gains and losses on sales of investments are recognized in the year of disposal and are included in investment income.

f) Inventories

Inventories of supplies are stated at cost. Inventories of merchandise held for resale are stated at the lower of cost and net realizable value.

g) Plant Assets

Plant asset expenditures of all funds are recorded in the Statement of Changes in Unappropriated Expendable Fund Balances. They are also recorded as assets on the Balance Sheet, except that renovations under \$10,000 and repairs are not capitalized.

The original cost is deleted from the asset and equity accounts as follows:

- land and buildings are deleted upon disposal.
- equipment is deemed to have an average useful life of eight years and is written off in the ninth year.
- library holdings are reduced by estimated disposals and losses during the year.

Land initially granted to the University is recorded at \$1. Land acquired subsequently is recorded at its fair market value at the time of acquisition.

Capital leases are not recorded as assets.

h) Capital Transactions

Borrowings authorized by the Province of British Columbia for capital expenditures are shown under "Revenues and Other Additions" of the Capital Fund. Payments for plant assets, repairs, maintenance and repayment of debt are shown under "Expenditures and Other Deductions".

i) Equity in Plant Assets

The equity in plant assets is increased as resources are used to pay for plant assets or to repay borrowings incurred for asset acquisitions. It is reduced by disposal of plant assets and write-off of equipment and library holdings.

j) University Interests in WCUMBS and TRIUMF

i) The University is one of five university members of the Western Canadian Universities Marine Biological Society (WCUMBS) which operates a research station at Bamfield, British Columbia. The University's annual operating grant to the Society (1988 - \$137,961) is recorded as an expenditure from the General Operating Fund. The accounts of WCUMBS are not included in these statements except that initial contributions in the amount of \$347,000 for capital acquisitions are recorded as plant assets on the Balance Sheet.

ii) The University is one of four parties to a joint venture agreement under which research is conducted at the Tri-Universities Meson Facility (TRIUMF) on the University of British Columbia campus and elsewhere. The facility and its operations are funded by federal government grants and the University makes no direct financial contribution. The accounts of TRIUMF are not included in these statements.

2) Long-Term Investments

Long-term investments are comprised of the following:

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	
Vancouver Foundation	\$1,975	\$1,800
Other	<u>354</u>	<u>309</u>
	<u>\$2,329</u>	<u>\$2,109</u>

Market value of the investments at March 31, 1988 was \$2,655,000 (1987 \$2,205,000). Vancouver Foundation investments represent permanently endowed trust funds recoverable from the Foundation.

3) Loans Payable

Loans payable consist of:

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	
Interim financing	\$5,682	\$1,681
Tenant loan	<u>1,211</u>	<u>-</u>
	<u>\$6,893</u>	<u>\$1,681</u>

The interim financing is for capital projects, as authorized by the provisions of the Educational Institution Capital Finance Act and the Financial Administration Act, and will be retired from proceeds of long-term debt. The tenant loan is for renovations to the University's Harbour Centre facility.

4) Long-Term Debt

Long-term debt consists of the following:

	<u>1988</u>	<u>1987</u>
	(thousands of dollars)	
British Columbia Educational Institutions Capital Financing Authority	\$48,959	\$48,959
Less sinking fund	<u>10,020</u>	<u>8,017</u>
	38,939	40,942
Canada Mortgage and Housing Corporation	3,280	3,313
British Columbia School Districts Capital Financing Authority	<u>3,637</u>	<u>3,705</u>
	<u>\$45,856</u>	<u>\$47,960</u>

4) Long-Term Debt (continued)a. British Columbia Educational Institutions Capital Financing Authority

These debentures are issued to the British Columbia Educational Institutions Capital Financing Authority under the Educational Institution Capital Finance Act, bearing interest at rates from 9.00% to 16.53% and maturing from 1990 to 2006. Payments to the sinking fund, which is held by the Authority, are based on the discounted present values required to fund repayment of the debentures at maturity. The debentures can be recalled by the Authority upon notice of not less than five months. Sinking fund and interest payments are made with funds received from the Province of British Columbia for that purpose. Annual sinking fund and interest payments due within the next five years amount to \$7,306,000 during the fiscal years ending 1989 to 1991, \$6,897,000 in 1992 and \$6,728,000 in 1993.

b. Canada Mortgage and Housing Corporation

Maturity Date	Interest Rate	Balance Outstanding		Annual Payments (including interest) until maturity
		1988	1987	
		(thousands of dollars)		
Jan 1, 2017	5.375%	\$ 182	\$ 184	\$ 12
Jan 1, 2018	5.875	911	922	65
Jul 1, 2019	6.875	<u>2,187</u>	<u>2,207</u>	<u>171</u>
		<u>\$3,280</u>	<u>\$3,313</u>	<u>\$248</u>

The debentures are secured by a floating charge on the Madge Hogarth, Shell House, and Louis Riel student residences respectively. The residences are recorded on the balance sheet at a cost of \$6,142,000.

c. British Columbia School Districts Capital Financing Authority

		Balance Outstanding	Annual Payments (including	
Maturity Date	Interest Rate	1988	1987	interest) until maturity
		(thousands of dollars)		
Dec 10, 1996	9.41%	\$3,637	\$3,705	\$415

The debenture is secured by a floating charge on the McTaggart-Cowan student residence recorded on the balance sheet at a cost of \$4,057,000.

5) Group Insurance Reserve

The reserve represents funds designated for extraordinary requirements relating to self-insured group life and long-term disability plans. Current requirements are funded from the General Operating Fund on a cost of claim plus fee for services basis.

6) Retirement Benefits Reserve

This reserve provides for early retirement benefit obligations and pension benefit supplements. The funds representing the reserve were included in the Specific Purpose fund balance (Statement 3) as at March 31, 1987.

7) Lease Commitment Reserve

The reserve provides for commitments entered into for the occupancy of the University's Harbour Centre facility which include lease payments, tenant loan payments and a contribution towards operating costs. Lease and tenant loan obligations include annual payments of \$1,140,000 commencing in September 1988 increasing to \$1,648,440 over the term of the lease, and a termination payment of \$8,000,000 upon the expiry of the lease in December 2017 or a discounted equivalent of that amount at an earlier date. Funding for this reserve is recorded in Specific Purpose fund revenue on Statement 3.

8) Pension Plans

The University pension plan for academic staff generally provides benefits on a money purchase basis but includes an option to members who were in the plan on March 20, 1973 to choose benefits based on years of service and the average of the highest sixty consecutive months' salary. The latest actuarial valuation as at January 1, 1986 showed an actuarial liability of \$8,388,018 for the formula retirement benefit option and related assets on hand of \$9,225,036.

The University pension plan for administrative and union staff provides benefits based on years of service and the average of the highest sixty consecutive months' salary. The latest actuarial valuation as at January 1, 1986 showed an actuarial liability of \$22,317,536 and assets on hand of \$30,883,167. The surplus is being amortized over a 25 year period using the annuity method and an 8% interest rate. Funding has been adjusted accordingly.

9) Commitments - Capital Fund

Total commitments under contracts for capital projects amounted to \$13,532,000 as at March 31, 1988 (1987 - \$2,230,000).

10) Prior Period Adjustment

Accrued revenue receivable for sponsored research amounted to \$996,304 at March 31, 1988 and is included in revenue on Statement 3. Prior years' revenue for sponsored research was accounted for on a cash basis. To conform with the accrual basis of accounting, the accounts receivable at March 31, 1987 have been increased by \$1,200,762. As a result, revenue for sponsored research in 1987 has been increased by \$439,276 and the fund balance at March 31, 1986 has been increased by \$761,486 which represents the amount receivable at that date.

11) Comparative Figures

Certain of the 1987 comparative figures have been restated as a result of the prior period adjustment (Note 10) and reclassifications required to conform with the presentation adopted for the current year. Restatements which affect fund balances are:

	Appropriated Expendable Funds (Statement 2)	Unappropriated Expendable Funds (Statement 3)	Equity in Plant Assets (Statement 5)
	(thousands of dollars)		
Balance at March 31, 1986-as previously reported	\$7,275	\$9,041	\$104,429
Prior period adjustment (Note 10)	-	761	-
Reclassifications			
-Retirement benefits reserve (Note 6)	-	(3,473)	-
-Other	(243)	-	250
Balance at March 31, 1986-as restated	7,032	6,329	104,679
Net increase for the year ended March 31, 1987-as previously reported	2,510	185	6,380
Prior period adjustment (Note 10)		439	-
Reclassifications			
-Retirement benefits reserve (Note 6)	-	(367)	-
Balance at March 31, 1987-as restated	\$9,542	\$6,586	\$111,059

UNIVERSITY OF BRITISH COLUMBIA



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of
The University of British Columbia, and


To the Minister of Advanced Education and Job Training
Province of British Columbia:

I have examined the balance sheet of The University of British Columbia as at
March 31, 1988 and the following statements for the year then ended:

- Statement 2 - Statement of changes in appropriated fund balances.
- Statement 3 - Statement of changes in unappropriated fund balances.
- Statement 4 - Statement of changes in endowment principal and student
loan fund balances.
- Statement 5 - Statement of equity in plant assets.

My examination was made in accordance with generally accepted auditing
standards, and accordingly included such tests and other procedures as I considered
necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of
the University as at March 31, 1988 and the results of its operations and the
changes in its fund balances for the year then ended in accordance with
accounting principles described in note 1 to the financial statements applied on a
basis consistent with that of the preceding year.


George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 30, 1988

STATEMENT 1

THE UNIVERSITY OF BRITISH COLUMBIA

BALANCE SHEET

AS AT MARCH 31, 1980
(Thousands of dollars)

ASSETS		LIABILITIES AND FUND BALANCES	
	1980		1987
Cash and bank deposit notes	\$ 490	Accounts payable and accrued liabilities	\$ 27,540
Investments	160,770	Loans receivable	3,898
(Market value - \$162,240, 1987 \$159,876)		Loans and promissory notes - (Note 3)	5,219
Accounts receivable	27,112	Long-term debt - (Note 3)	\$187,255
Prepaid expenses	649	Less sinking funds	<u>26,674</u>
Student loans receivable	520		160,581
Inventories	7,762	Insurance reserve - (Note 7)	<u>201,564</u>
		Fund balances	<u>199,341</u>
Investment in teaching facilities at associated hospitals	\$ 11,562	Expendable	<u>7,031</u>
Less amortization	<u>3,010</u>	Appropriated (Statement 2)	<u>6,126</u>
		General purpose operating	
Plant assets (Statement 5)	8,552	Ancillary enterprises	1,035
Land and site improvements	35,455	Capital	1,272
Buildings	395,518		<u>2,307</u>
Equipment and furnishings	117,016	Unappropriated (Statement 3)	<u>13,629</u>
		General purpose operating	
		Specific purposes	233
		Student loans	26,630
		Student research	113,866
		Ancillary enterprises	219
		Capital	<u>2,566</u>
			<u>138,223</u>
		Non-expendable (Statement 4)	<u>45,581</u>
		Student principal	
		Student loan	89,395
			<u>91,219</u>
		Equity in plant assets (Statement 5)	<u>89,674</u>
			<u>365,168</u>
			<u>\$216,772</u>
			<u>\$216,772</u>

Approved


P. Brown
Chairman, Board of Governors

A.W. Gallaly
Vice President - Administration & Finance

(See accompanying notes to the financial statements)

Balance Sheet

THE UNIVERSITY OF BRITISH COLUMBIA
STATEMENT OF CHANGES IN APPROPRIATED FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 1988

STATEMENT 2

(thousands of dollars)

	<u>General Purpose Operating</u>		<u>Ancillary Enterprises</u>		<u>Capital</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
Balance, beginning of year	\$ 1,035	\$ 1,319	\$ 3,898	\$ 570	\$ 5,949	\$ 4,000
Deduct:						
Released from prior years'						
appropriations (Statement 3)	<u>1,035</u>	<u>1,319</u>	<u>3,898</u>	<u>570</u>	<u>5,949</u>	<u>4,000</u>
	-	-	-	-	-	-
Add:						
Appropriations for the year						
(Statement 3)	<u>3,381</u>	<u>1,035</u>	<u>1,272</u>	<u>3,898</u>	<u>8,976</u>	<u>5,949</u>
Balance, end of year	<u>\$ 3,381</u>	<u>\$ 1,035</u>	<u>\$ 1,272</u>	<u>\$ 3,898</u>	<u>\$ 8,976</u>	<u>\$ 5,949</u>

Detail of year end balance

Faculties and Department						
- operating expenses	\$ 1,379	\$ 963	\$ -	\$ -	\$ -	\$ -
- non-credit courses	941	-	-	-	-	-
Renovation projects	-	-	1,272	511	-	-
Library books and periodicals	353	72	-	-	-	-
Equipment	708	-	-	-	1,071	539
Capital development and facilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,387</u>	<u>7,905</u>	<u>5,410</u>
	<u>\$ 3,381</u>	<u>\$ 1,035</u>	<u>\$ 1,272</u>	<u>\$ 3,898</u>	<u>\$ 8,976</u>	<u>\$ 5,949</u>

(See accompanying notes to the financial statements)

Statement of Changes in Appropriated
Fund Balances

THE UNIVERSITY OF BRITISH COLUMBIA
STATEMENT OF CHANGES IN UNAPPORTIONED FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 1988

STATEMENT 3

(thousands of dollars)

	1988 (Schedule 1 & 2)*	1987	General Purpose Operating	Specific Purposes (Schedule 4)*	Sponsored Research (Schedule 5)*	Auxiliary Enterprises (Schedule 6)*	Capital (Schedule 7)*	1988 Totals	1987 Totals
Revenue and other additions:									
Government grants and contracts									
Government of Canada									
Base operating	183,301	183,093		\$ 2,180	\$ 48,411	\$ -	\$ 5	\$ 50,599	\$ 48,163
Designated	10,886	10,886			434	-	-	183,301	183,093
Capital expenditures	4,750	4,750			-	-	-	9,800	14,900
Engineering expansion	-	-			-	-	-	-	750
Other	-	-			6,455	5,665	26,181	38,301	34,108
Municipalities	-	-			16	10	-	35	10
Foreign governments	-	-			305	-	-	355	177
Foreign governments	-	-			831	1,157	-	1,988	2,738
Student fees	44,182	40,640			208	1,012	-	45,402	41,701
Grants, donations and non government grants	1,139	572			4,453	15,516	486	20,586	19,865
Sales and services	1,139	572			193	49,006	-	50,998	47,198
Income from investments	2,882	3,054			10,469	573	598	14,522	20,913
Loans	-	-			-	10	4,770	4,780	8,847
Expenses and other deductions:									
Salaries	97,631	95,490			71,511	50,601	32,540	420,499	405,065
- Staff	5,667	5,667			12,557	-	-	116,683	110,865
- Student service	5,661	5,661			7,562	-	-	15,898	16,707
- Staff	67,452	63,599			4,841	16,294	496	102,021	95,744
Benefits	170,144	164,477			36,413	12,318	496	234,032	233,416
Travel, field trips, moving	3,739	3,739			1,106	1,106	76	10,089	8,666
Library acquisitions	5,162	5,174			406	5,216	5,995	5,995	5,979
Library operating and expenses	3,739	3,739			15,406	7,146	5,995	25,290	25,290
Furniture and equipment	3,538	3,462			2,657	7,187	5,230	19,709	13,977
Utilities	8,177	8,239			682	1,888	361	10,593	10,363
Renovations and alterations	490	566			110	1,672	5,670	8,250	4,981
Professional fees	3,490	3,490			2,108	1,471	1,547	6,453	5,708
Professional fees and bursaries	2,369	2,369			671	1,745	1,547	5,708	5,708
Cost of goods sold	-	-			-	17,451	17,451	17,451	15,473
Internal cost recoveries	-	-			-	6,384	15,756	22,140	22,140
Buildings contracts	-	-			-	250	3,110	3,110	4,245
Internal cost recoveries	(1,609)	(1,604)			205	1,154	-	(3,695)	(3,464)
External cost recoveries	(3,695)	(3,661)			-	-	-	-	-
Transfers and appropriations:									
Revenues and prior years appropriations	230,397	222,317			69,771	47,039	36,103	410,543	384,324
Interfund transfers (Note 2)	1,035	1,319			-	3,988	5,949	10,882	5,889
Appropriations for the year (Statement 2)	(606)	(133)			245	(5,640)	6,486	(5,471)	(3,628)
Transfers and appropriations	(3,381)	(1,035)			-	(1,272)	(9,278)	(13,629)	(10,882)
Transfers and appropriations	(2,952)	(417)			245	(3,214)	3,459	(8,621)	(8,621)
Net increase (decrease) during the year	770	(605)			1,945	(22)	2,566	1,948	11,200
Unappropriated fund balance, beginning of year	(527)	38			15,380	261	45,388	63,021	33,021
Unappropriated fund balance, end of year	(223)	(567)			\$ 17,365	\$ 239	\$ 47,954	\$ 64,942	\$ 44,221

(Statement 1) (Statement 1)

(See accompanying notes to the financial statements)

* Schedules referred to have been prepared without audit.

Statement of Changes in Unappropriated
Fund Balance

THE UNIVERSITY OF BRITISH COLUMBIASTATEMENT OF CHANGES IN ENDOWMENT PRINCIPAL AND STUDENT LOAN FUND BALANCESFOR THE YEAR ENDED MARCH 31, 1988

STATEMENT 4

(thousands of dollars)

	Endowment Principal	Student Loan	Total	
			1988	1987
Revenue and other additions:				
Gifts and bequests	\$ 7,984	\$ -	\$ 7,984	\$ 1,999
Interest on loans	-	14	14	8
Income from investments	-	76	76	77
	7,984	90	8,074	2,084
Expenses and other deductions:				
Loans written off	-	4	4	4
Change in year	7,984	86	8,070	2,080
Fund balance, beginning of year	88,325	1,349	89,674	83,766
Interfund transfers (Note 2)	5,947	(76)	5,871	3,828
Fund balance, end of year	\$102,256	\$ 1,359	\$103,615	\$ 89,674

(Statement 1) (Statement 1)

(See accompanying notes to the financial statements)

Statement of Changes in Endowment Principal
and Student Loan Fund Balances

STATEMENT 5

THE UNIVERSITY OF BRITISH COLUMBIA
STATEMENT OF EQUITY IN PLANT ASSETS
FOR THE YEAR ENDED MARCH 31, 1986

	(thousands of dollars)			Financed by		Total
	Plant Assets	Auxiliary Enterprises	Capital Borrowings	Temporary Cash Resources	1988	
	\$574,917	(\$ 57,325)	(\$100,716)	(\$ 1,108)	\$365,168	\$362,585
Balance, beginning of year						
Add:						
Expenditures Capital Funds (Schedule 7)	36,103	-	-	-	36,103	33,316
Expenditures non Capital Funds	14,347	-	-	-	14,347	12,450
Property donated	816	-	-	-	816	-
Projects financed Internally (Note 5)	553	-	-	-	553	277
Canada Mortgage & Housing Corp. -						
Principal repayment	-	206	-	-	206	194
Interest earned	-	69	-	-	69	3
British Columbia Debenture Sinking Fund -						
Principal repayment	-	911	-	-	911	109
British Columbia Educational Institutions Capital Financing						
Interest earned	-	-	1,905	-	1,905	1,616
Amortization of fund -	-	-	3,939	-	3,939	2,935
Interest earned	-	-	(94,812)	(1,108)	524,077	413,485
Principal repayment	576,736	(56,719)	-	-	-	-
Deduct:						
Renovation and other amounts not capitalized	9,518	-	-	-	9,518	5,619
Capital Borrowing & Debt servicing not capitalized	15,926	-	-	-	15,926	15,912
Sinking fund increase related to teaching facilities at associated hospitals	-	-	513	-	513	495
Equipment write off	10,958	-	-	-	10,958	8,930
Building write off	225	-	-	-	225	159
Net increase in borrowings	-	10	13,955	166	14,131	17,202
	36,627	10	14,468	166	51,271	48,317
Balance, end of year	\$ 35,415					
Buildings and equipment improvements	387,678	\$1 56,749	\$ (109,200)	\$ (1,274)	\$372,806	\$365,168
Buildings	387,678					
Equipment and furnishings	117,016					

(Statement 1)

(See accompanying notes to the financial statements)

(Statement 1)

(Statement 1)

Statement of Equity in Plant Assets

THE UNIVERSITY OF BRITISH COLUMBIA

NOTES TO FINANCIAL STATEMENTSFOR THE YEAR ENDED MARCH 31, 1988NOTE 1 SIGNIFICANT ACCOUNTING POLICIES(a) General

These financial statements have been prepared with reference to the "Guide to Accounting Principles, Practices and Standards of Disclosure for Universities and Colleges of Canada", published in 1984 by the Canadian Association of University Business Officers.

(b) Fund Accounting

Transactions of the University are accounted for by fund accounting procedures in order to recognize various restrictions imposed on the use of available resources. Under these procedures, revenues and their related expenses are accounted for in separate funds in accordance with objectives specified by donors, limitations and restrictions imposed by sources outside the University, and determinations made by the Board of Governors.

For financial statement reporting purposes the Balance Sheet combines the assets and liabilities of all funds. These funds are either expendable or non-expendable. An expendable fund is one that may be used in its entirety within the restrictions established by the donor or agency providing the funds. A non-expendable fund is one in which at least the original fund balance cannot be expended.

The statements of changes in fund balances show the total income and expenses of the University, after elimination of inter-fund transactions. The University has classified accounts with similar characteristics into major funds as follows:

- the General Purpose Operating Fund consists of those revenues and expenses used in the general operations of the University.

- the Specific Purposes Fund accounts for monies received for specific purposes as stipulated by the donors and includes income earned on the Endowment Principal Fund.
- the Sponsored Research Fund accounts for monies received for research or related activities as approved by government granting agencies, research institutes and other public and private organizations.
- Ancillary Enterprises provide goods and services to the University community and are expected to operate on a break-even basis. Any deficits must be recovered from future operations and surpluses benefit future operations. These enterprises are assessed most overhead costs associated with their operations including payments of principal and interest on all long-term debt. Capital additions for these operations are recorded in the statement of changes in capital fund balances in the year in which they are incurred and are included as capital assets, at cost, on the balance sheet.
- the Capital Fund includes gifts, grants, interest and authorized capital borrowing received for the purpose of acquiring capital assets including those pertaining to ancillary enterprises. These funds may also be used for major renovations, alterations and capital project administrative costs.
- the Student Loan Fund includes gifts and bequests which are used for the purpose of providing loans to students.
- the Endowment Principal Fund includes gifts and bequests received with the stipulation that these funds be invested and the income earned be expended for designated purposes.

(c) Accrual Accounting

The University follows the accrual basis of accounting as recommended by the Canadian Association of University Business Officers by recording income when earned and expenses when materials or services are received, except that payments resulting from early retirement agreements are expensed as payments are made. Commitments are not included in expenses.

(d) Appropriations

The University maintains a general operating budget programme which, subject to annual approval of the Board of Governors, allows faculties to carry forward unexpended funds into the subsequent fiscal year up to a maximum of 2% of the budget allocation for the

current year. In addition, the University makes appropriations at the fiscal year end for acquisition of plant assets, replacement of equipment and furnishings, renovations, and for outstanding commitments on library acquisitions.

(e) Inventories

Inventories of merchandise held for resale are stated at the lower of cost and net realizable value. Supplies inventories are recorded at cost.

(f) Investment in Teaching Facilities at Associated Hospitals

The investment represents the funds advanced for teaching facilities at associated hospitals, for which the University has no legal ownership. This investment is being amortized by an amount equal to the contribution to the sinking fund to retire the related long-term debt.

(g) Plant Assets

Expenditures for the acquisition of plant assets are shown on Statement 3 according to the source of funding from which the expenditures were incurred. All plant assets are then shown on the Balance Sheet at cost. Plant assets that are donated for use in operations are recorded directly on the Balance sheet at market value at date of acquisition. In accordance with approved university accounting principles, depreciation of buildings and equipment is not recorded. However, equipment is assumed to have an average useful life of eight years and is deleted as a plant asset entirely in the ninth year. The campus land which was Crown-granted to the University in 1910 is recorded at \$1.

(h) Library Acquisitions

Library books and periodicals are expensed in the year of acquisition.

(i) Internal Financing

The University follows a practice of making temporary cash advances to operating departments in order to finance the acquisition of certain plant assets over a period of years. As these advances are recovered the appropriate funds are charged and the repayments are recorded as equity in plant assets. Interest is charged to the fund based on the rate of return on investments held for general purposes. (See Note 5.)

(j) Investments

Investments are recorded at acquisition cost. Gains or losses on sales of investments are recognized in the year of disposal and are included in income from investments.

(k) Endowment Principal

The balance of endowment principal on the University's books at March 31, 1988 amounts to \$102,256,496. Annual income earned on this sum is used for a variety of purposes as prescribed by the terms of each endowment. In addition, the Vancouver Foundation has a number of endowment funds held for the benefit of the University totalling \$4,458,467, of which \$2,362,183 was provided by U.B.C.. The income, which amounted to \$390,032, was paid to the University for specific purposes. Funds managed by the Vancouver Foundation are not under the University's ownership or control.

(l) Campus Organizations and Agencies

The financial statements of The University of British Columbia do not include the operating income and expenses of the Health Sciences Centre Hospital, Aquatic Centre, Thunderbird Winter Sports Centre, Faculty Club, Thea Koerner House Graduate Student Centre or Tri-Universities Meson Facility (Triumpf), but buildings and initial contents are included in the balance sheet.

(m) Joint Ventures

- (i) The University is one of five university members of the Western Canadian Universities Marine Biological Society which operates a research station at Bamfield, B.C. The University's annual operating grant to the Society (1988 - \$137,961; 1987 - \$143,484) is recorded as an expenditure from the General Purpose Operating Fund.
- (ii) The University is one of four university members of a consortium which manages the Tri-Universities Meson Facility (Triumpf) at the University of British Columbia. The facility is funded almost entirely by Federal Government grant and the University makes no direct financial contribution.

No monetary gain is expected from these joint ventures.

NOTE 2 INTERFUND TRANSFERS

Interfund transfers comprise the following:

<u>Fund</u>	<u>Increased</u>	<u>Decreased</u>	<u>Net</u>	<u>Explanation</u>
- General Purpose Operating	\$	\$ 135,000	\$	To Sponsored Research
		471,000		To Capital
	<u>-</u>	<u>606,000</u>	(606,000)	
- Specific Purposes	327,579			From Sponsored Research re-classification.
	76,186			From Loan - re-classification.
		832,227		To Sponsored Research
		145,850		To Sponsored Research
		175,678		To Ancillary Enterprises
		4,002,459		To Endowment
		<u>1,404,400</u>		To Endowment
	<u>403,765</u>	<u>6,560,614</u>	(6,156,849)	
- Sponsored Research	135,000			From General Purposes Operating to cover deficit in research project.
	832,227			From Specific Purposes to cover research expenses in the Killam Funds.
	145,850			From Specific Purposes - Killam Awards reclassified.
		327,579		To Specific Purposes
		540,398		To Endowment
	<u>1,113,077</u>	<u>867,977</u>	245,100	
- Ancillary Enterprises	175,678			From Specific Purpose income on Endowment.
		5,198,998		To Capital
		816,867		To Capital
	<u>175,678</u>	<u>6,015,865</u>	(5,840,187)	
- Capital	471,000			From General Purpose Operating for development.
	5,198,998			From Ancillary Enterprises for Housing Construction.
	816,867			From Ancillary Enterprises for Parkade Construction.
	<u>6,486,865</u>	<u>-</u>	6,486,865	
- Endowment	4,002,459			From Specific Purposes - unexpended Endowment Funds income capitalized.
	1,404,400			From Specific Purposes - discretionary transfer.
	540,398			From Sponsored Research - discretionary transfer.
	<u>5,947,257</u>	<u>-</u>	5,947,257	
- Loan		76,186		To Specific Purposes
	<u>-</u>	<u>76,186</u>	(76,186)	
	<u>\$14,126,642</u>	<u>\$14,126,642</u>	<u>\$ -</u>	

NOTE 3 LOANS, PROMISSORY NOTES AND LONG-TERM DEBT

		<u>Principal</u>	
		<u>1988</u>	<u>1987</u>
<u>Loans & Promissory Notes</u>			
<u>Loans</u>			
Under the Educational Institution Capital Finance Act		\$ 12,189,000	\$ 4,428,656
<u>Promissory Notes</u>			
To the Province of British Columbia		<u>2,600,000</u>	<u>790,408</u>
(Statement 1)		<u>\$ 14,789,000</u>	<u>\$ 5,219,064</u>
		<u>Annual Payments</u>	<u>Principal</u>
		<u>Including Interest</u>	
		<u>1988/89</u>	<u>1988</u> <u>1987</u>
<u>Long-term Debt</u>			
Canada Mortgage and Housing Corporation 5.125% to 7.875% due 2012 to 2023 inclusive	\$ 1,516,555	\$ 19,940,781	\$ 20,146,683
British Columbia Educational Institutions Capital Financing Authority 9.000% to 17.510% due 1990 to 2007 inclusive	19,903,564	126,214,060	125,208,060
Province of B.C. Debenture 8.39% to 9.75% due 1990 to 2006 inclusive	4,886,117	40,100,000	37,100,000
Forgiveable loan from Private Donor due 1994	-	<u>1,000,000</u>	<u>1,000,000</u>
(Statement 1)		<u>\$187,254,841</u>	<u>\$183,454,743</u>

Under the authority of the Educational Institution Capital Finance Act, the University has financed certain capital facilities of the University and teaching facilities at associated hospitals with bank demand loans. These loans are then refinanced through debentures issued by the University to the British Columbia Educational Institutions Capital Financing Authority (B.C.E.I.C.F.A.). Funds are received from the Province of British Columbia to fully meet the interest and sinking fund payments. The actual payments to the sinking fund held by the B.C.E.I.C.F.A. are based on the discounted present values required to fully fund the repayment of the debentures by their respective maturity dates. These debentures can be recalled by the B.C.E.I.C.F.A. by giving not less than five months notice in writing.

NOTE 4 COMMITMENTS

There are commitments under capital contracts at March 31, 1988 of \$12,676,932 (1987 - \$794,798).

A number of early termination arrangements have been made with academic and support staff which involve a commitment of approximately \$4,440,000 (1987 - \$4,000,000). These commitments are payable in subsequent years.

NOTE 5 ADVANCES FOR PLANT ASSETS

The University has utilized temporary cash resources to finance the purchase of plant assets as follows:

	<u>April 1, 1987</u>	<u>Repayment</u>	<u>Advances</u>	<u>March 31, 1988</u>
Forestry Container Nursery	\$ 147,430	\$ 66,827	\$ -	\$ 80,603
Tennis Centre	218,496	-	-	218,496
Satellite Communications				
System	84,249	7,235	-	77,014
Bookstore Computer	499,379	122,890	-	376,489
PBX Telex	106,300	48,000	-	58,300
Biomedical Equipment	51,908	9,811	-	42,097
NMR Spectrometer	-	133,000	553,767	420,767
	<u>\$1,107,762</u>	<u>\$ 387,763</u>	<u>\$ 553,767</u>	<u>\$1,273,766</u>

It is anticipated that the total of \$1,273,766 will be recovered from operating net margins of these activities in future years and will be reflected as equity in plant assets when recovered. The advances and repayments in the year are disclosed in the Statement of Equity in Plant Assets (Statement 5).

NOTE 6 PENSION PLANS

The University has two pension plans which are administered by separate trustees/directors. The faculty pension plan provides benefits on a money purchase basis, with a minimum retirement benefit included therein. The staff pension plan benefits are based on 2% of the average best three years basic salary multiplied by the number of years of contributory service, less an adjustment for Canada Pension Plan contributions.

The University expenses the annual funding installments in each year. Combined with member contributions, both pension plans are operated on an actuarially sound financial basis.

NOTE 7 INSURANCE RESERVE

The insurance reserve consists of four reserves, three of which totalling \$6,663,599 are held for group life, disability and general benefits. The most recent comparison between the commitment as determined by the University's actuaries and the reserve funds on hand was made at March 31, 1987 and at that date the reserve funds were adequate to meet commitments. The fourth reserve of \$367,857 is required to fund the casualty insurance deductible requirements.

UNIVERSITY OF VICTORIA



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
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AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of
The University of Victoria, and

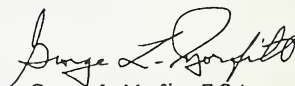
To the Minister of Advanced Education and Job Training
Province of British Columbia

I have examined the combined balance sheet of the University of Victoria as at
March 31, 1988 and the following statements for the year then ended:

- | | |
|---------------|---|
| Statement 2 - | Combined statement of changes in appropriated expendable funds. |
| Statement 3 - | Combined statement of changes in unappropriated expendable funds. |
| Statement 4 - | Combined statement of changes in non-expendable student loan and endowment principal funds. |
| Statement 5 - | Combined statement of changes in equity in plant assets. |

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these combined financial statements present fairly the financial position of the University as at March 31, 1988 and the results of its operations and the changes in its fund balances for the year then ended in accordance with accounting principles described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.


George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
July 8, 1988

UNIVERSITY OF VICTORIA
NOTES TO COMBINED FINANCIAL STATEMENTS
March 31, 1988

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

(a) General

These financial statements have been prepared in accordance with accounting principles generally accepted for universities as described in the 'Guide to Accounting Principles, Practices and Standards of Disclosure for Universities and Colleges of Canada' published by the Canadian Association of University Business Officers (CAUBO).

(b) Combined Statements

These statements include the accounts of two incorporated bodies whose activities are conducted for the sole benefit of the University: the University of Victoria Foundation which holds and administers endowment funds and related income, and the Island Pacific Institute Foundation which operates an off-campus conference centre.

(c) Fund Accounting

Fund accounting procedures are employed in order to recognize restrictions placed on the use of resources by donors and granting agencies or by the governing boards. Separate accounts are maintained for each fund to ensure observance of these restrictions.

For financial reporting purposes the balance sheet combines the assets and liabilities of all funds. The statements of changes in funds show the additions to and the deductions from each fund.

Funds are classified as expendable or non-expendable. Expendable funds are those which may be expended in their entirety within the restrictions referred to above. Non-expendable funds comprise gifts and other receipts that are to be held as endowment principal or used for making loans to students.

Funds with similar characteristics are grouped together for reporting purposes as follows:

General Operating

Revenues which the Board of Governors administers at its discretion.

Specific Purposes

Gifts, grants and student fees to be used for designated projects and purposes, and investment income earned on endowment principal.

(c) Fund Accounting (continued)

Sponsored Research

Gifts, grants and contract revenue in support of research.

Ancillary Enterprises

Revenue from service operations which are expected to function on a self-supporting basis. These enterprises are charged with most costs associated with their operations, including debt service and provisions for repair and replacement of facilities.

Capital

Amounts received for acquisition of plant assets, major renovations and repayment of long term debt.

Student Loan

Amounts held for making loans to students.

Endowment Principal

Amounts held as invested principal, the income from which is added to the Specific Purposes Fund.

(d) Accrual Accounting

Revenue is recorded when received or receivable. Expenditures are recorded when the goods or services are received. No accrual is made for salaried employees' vacation pay or study leave support.

(e) Appropriations

Appropriations are set aside within the General Operating and Ancillary Enterprises Funds for future major or specific project expenditures and in respect of certain unexpended budget allocations. These appropriations are released when the expenditures to which they relate are made.

(f) Investments

Investments are recorded at cost. Temporary investments consist of short term deposits, treasury bills and corporate notes. Endowment investments also include stocks and bonds.

(g) Inventories

Inventories of supplies are recorded at cost. Inventories of merchandise held for resale are stated at the lower of cost and net realizable value.

(h) Deferred Charges

Prepaid long term equipment rental costs are amortized on a straight line basis over 10 years.

(i) Plant Assets

Expenditures for plant asset additions are charged to the fund which provides the resources for the expenditures. No depreciation is recorded.

Plant assets are also recorded at cost on the balance sheet, with appropriate credits to the equity account or to the long term debt which financed their acquisition. The amount shown for library holdings represents acquisition costs only, and does not include cataloguing or other internal handling costs.

The original cost of plant assets is deleted from the asset and equity accounts as follows:

- land and buildings costs are deleted upon disposal;
- equipment and furnishings are deemed to have an average useful life of eight years and are written off in their ninth year;
- disposal and shrinkage of library holdings is recorded by means of an annual allowance.

(j) Capital Borrowings

Certain Capital Fund expenditures are financed under borrowing authority given by the Province of B.C. The proceeds from these authorized borrowings are therefore recorded as revenue of the Capital Fund in the same year as the expenditures are made.

Funds provided by the Province of B.C. to repay the principal and interest of these borrowings, and the interest earned on the sinking fund to which such principal repayments are made, are both recorded as provincial government grants revenue in the Capital Fund, together with a corresponding debt service expenditure.

NOTE 2 LOANS PAYABLE

These loans are held from the Bank of Montreal at prime interest rates or lower, under the authority of the Educational Institution Capital Finance Act. They will be repaid with funds received from the Province of B.C. for that purpose, or refinanced through debentures issued by the University to the B.C. Educational Institutions Capital Financing Authority.

NOTE 3 LONG TERM DEBT

	Principal 1988	Principal 1987
B.C. Educational Institutions Capital Financing Authority		
9.41% to 17% due 1990 to 2004	31,638,650	31,638,650
Less sinking fund	7,701,010	6,112,229
	23,937,640	25,526,421
Canada Mortgage and Housing Corporation		
5.125% to 9.5% due 2015 to 2029	4,071,875	4,095,082
Great-West Life Assurance Company		
11% due 1988	2,183,129	2,233,987
	30,192,644	31,855,490

Debentures are issued to the B.C. Educational Institutions Capital Financing Authority under the Educational Institution Capital Finance Act. Payments to the sinking fund held by the Authority are based on the discounted present values required to fund repayment of the debentures at maturity. These debentures can be recalled by the Authority giving not less than 5 months' notice. Sinking fund and interest payments are made with funds received from the Province of B.C. for that purpose or from the Ancillary Enterprises Fund.

Debentures issued under Orders-in-Council to the Canada Mortgage and Housing Corporation are secured by a mortgage on the student residences and Commons building. Principal and interest payments are made from the Ancillary Enterprises Fund.

A mortgage payable to the Great-West Life Assurance Company is registered against the land and building operated as a conference centre by the Island Pacific Institute Foundation. Principal and interest payments are made from the Capital Fund.

The aggregate annual payments of principal and interest required under these long term debt instruments during the next 5 years are as follows:

	Ancillary Enterprises Fund	Capital Fund
1988-89	666,995	7,034,463
1989-90	666,995	4,712,255
1990-91	666,995	4,593,152
1991-92	666,995	4,577,402
1992-93	666,995	4,520,702

NOTE 4 GROUP INSURANCE RESERVE

This reserve is held in connection with the University's group life and long-term disability insurance plans. One-half of the reserve derives from employee contributions to the plans. The reserve provides for rate stabilization and for any adverse claims experience.

NOTE 5 ENDOWMENT PRINCIPAL

This non-expendable funds balance represents assets held by the University and the University of Victoria Foundation. Not included in this balance are endowment funds of \$810,000 held by the Vancouver Foundation, the income from which is paid to the University for specific purposes. These latter endowment funds are not owned or controlled by the University.

NOTE 6 PENSION PLANS

The University pension plan for faculty and administrative and academic professional staff is a defined contribution plan providing both money-purchase annuities and formula pension benefits. The plan is administered by a separate Board of Trustees. The latest actuarial valuation as at July 1, 1986 showed that the formula pension benefit liabilities of the plan were fully funded.

The University pension plan for other staff is a defined benefit plan administered by the University. The latest actuarial valuation as at January 1, 1987 showed that the liabilities of the plan were fully funded.

NOTE 7 UNIVERSITY INTERESTS IN TRIUMF AND WCUMBS

- (a) The University is one of four parties to a joint venture agreement under which research is conducted at the Tri-Universities Meson Facility (TRIUMF) on the University of B.C. campus and elsewhere. The Facility and its operations are funded by federal government grants and the University makes no direct financial contribution. The accounts of TRIUMF are not included in these statements.
- (b) The University is one of five members of the Western Canadian Universities Marine Biological Society (WCUMBS) which operates a research and teaching station at Bamfield, B.C. The University's annual grant to the Society is recorded as an expenditure in the General Operating Fund (1988 - \$67,133; 1987 - \$83,673). The accounts of WCUMBS are not included in these statements.



NOTE 8 TRANSFER BETWEEN CAPITAL FUND AND EQUITY IN PLANT ASSETS

During the year ended March 31, 1986 the University purchased a property and assumed the related mortgage. A portion of the capital donation used to finance the purchase was recorded as funds to be applied toward the future retirement of this mortgage, and the Equity in Plant Assets was increased by a corresponding amount.

In the current year, these funds were directed to other capital purposes in respect of that property. As a result, Equity in Plant Assets has been reduced by \$2,279,673 and the Capital Fund has been increased by the same amount.

UNIVERSITY OF VICTORIA
COMBINED BALANCE SHEET
As at March 31, 1988 (in thousands of dollars)

	1988	1987
ASSETS		
Cash and temporary investments	24,966	25,191
Accounts receivable	4,499	3,999
Inventories	1,594	1,558
Deferred charges	460	431
Endowment investments (market \$17,332 - 1987 \$17,309)	16,382	14,745
Capital funds held in trust	-	542
Plant assets		
Land and site improvements	9,350	9,350
Buildings	90,870	90,037
Equipment and furnishings	38,469	34,521
Library holdings	30,754	28,594
	217,344	208,968
LIABILITIES		
Accounts payable and accrued liabilities	9,805	9,992
Deferred operating revenue	715	584
Deferred capital revenue	-	501
Loans payable (Note 2)	3,815	1,969
Long term debt (Note 3)	30,193	31,856
Group insurance reserve (Note 4)	1,373	1,225
FUND BALANCES		
Expendable funds		
Appropriated (Statement 2)	8,594	8,844
General Operating Enterprises	1,568	1,328
Unappropriated (Statement 3)		
General Operating	3	9
Specific Purposes	3,338	2,733
Sponsored Research	2,744	2,178
Ancillary Enterprises	(181)	120
Capital	2,831	1,145
Non-expendable funds (Statement 4)		
Student Loan	75	74
Endowment Principal (Note 5)	16,569	15,167
EQUITY IN PLANT ASSETS (Statement 5)	135,802	131,243
	217,344	208,968

Approved on behalf of
the Board of Governors

I.H. Stewart, O.C.
Chairman of Board of Governors

R.W. McQueen, C.A.
Vice-President, Finance

See accompanying notes
to the financial statements.

UNIVERSITY OF VICTORIA
COMBINED STATEMENT OF CHANGES IN APPROPRIATED EXPENDABLE FUNDS
Year ended March 31, 1988 (in thousands of dollars)

	Balance beginning of year	Released to meet expenditure	Additions during year	Balance at end of year
GENERAL OPERATING FUND				
Equipment replacement and capital improvements	248	19	19	248
Audiovisual services	2	2	7	7
Chapel	60	22	49	87
Coin-operated photocopiers	1,675	386	884	2,143
Computing - general	45	60	135	140
Computing - engineering	357	9	129	477
Electronic office equipment	-	-	-	-
FAX equipment	-	-	7	7
Furniture and carpets	-	-	39	39
Motor vehicles	112	24	147	147
Parking services	50	9	59	147
Photocopy services	219	31	4	45
Printing and duplicating services	398	2	110	298
Rental properties	218	26	158	554
Stadium	64	-	34	226
University House	11	-	5	69
Equipment purchases	290	10	10	11
Non-recurring research grants	250	290	-	-
Early retirement commitments	469	250	70	70
Fine Arts special project	100	469	281	281
Scholarships	75	100	-	-
Non-recurring expenditures financed from budgetary savings	-	75	-	-
Uninsured property losses	3,695	3,366	3,130	3,459
	8,844	5,160	5,010	8,694
ANCILLARY ENTERPRISES FUND				
Equipment replacement and capital improvements	317	15	176	478
Bookstore	180	182	260	258
Food Services	831	334	335	832
Residences	-	-	-	-
	1,328	531	771	1,568
TOTAL APPROPRIATED EXPENDABLE FUNDS	10,172	5,691	5,781	10,262
1987 COMPARATIVE	10,559	6,655	6,268	10,172

UNIVERSITY OF VICTORIA
 COMBINED STATEMENT OF CHANGES IN UNAPPROPRIATED EXPENDABLE FUNDS
 Year ended March 31, 1988 (in thousands of dollars)

STATEMENT 3

	General Operating	Specific Purposes	Sponsored Research	Ancillary Enterprises	Capital	Total 1988	Total 1987
REVENUE AND OTHER ADDITIONS							
Government grants and contracts-provincial	59,355	3,237	381	-	6,688	69,661	64,728
-federal	244	827	6,163	-	-	7,234	6,664
-other	44	52	62	-	45	7,203	161
Student fees-credit courses	13,151	725	-	-	-	13,876	12,357
-non credit courses	533	157	-	-	-	690	484
-other	510	50	-	-	-	560	420
Gifts, grants and bequests	60	1,119	375	-	50	1,604	1,383
Sales of services and products	-	-	-	10,850	-	10,850	9,640
Investment income	1,278	1,451	-	34	234	2,997	3,169
Other revenue	581	6	27	-	65	679	385
Authorized capital borrowings	-	-	-	-	1,759	1,759	2,511
	75,756	7,624	7,008	10,884	8,841	110,113	101,902
EXPENDITURE AND OTHER DEDUCTIONS							
Salaries-faculty	28,594	1,187	436	-	-	30,217	27,214
-other: instruction and research	3,423	1,020	2,232	-	-	7,675	7,000
-support staff	21,465	1,045	276	3,280	112	26,178	23,944
	53,672	3,542	2,936	3,280	112	63,542	58,158
Total salaries	6,446	194	183	273	-	7,096	6,487
Employee benefits	1,694	658	691	14	-	3,057	2,855
Travel	2,308	175	36	-	-	2,519	2,880
Library acquisitions	6,866	1,185	1,049	1,111	1,454	11,565	11,849
Supplies and expenses	3,428	80	834	217	1,208	5,767	5,648
Equipment purchases	1,027	19	31	38	-	1,115	1,255
Equipment rental and maintenance	1,810	2	9	430	-	2,251	2,269
Utilities	1,498	1,392	522	-	-	3,412	3,054
Scholarships, fellowships and bursaries	-	-	-	4,855	-	4,855	4,209
Cost of goods sold	-	-	-	667	5,620	6,287	5,901
Debt service	-	-	-	-	1,096	1,096	833
Building contracts	-	-	-	-	6	6	116
Land and site improvements	-	-	-	-	-	-	-
Internal cost allocations	(698)	477	159	60	-	6	-
External cost recoveries	(2,539)	(716)	(8)	-	2	(3,263)	(2,691)
	75,512	7,008	6,442	10,945	9,498	109,405	102,823
TRANSFERS AND APPROPRIATIONS							
Inter-fund transfers	(400)	(11)	-	-	63	(348)	(270)
Transfer from Equity in Plant Assets (Note 8)	-	-	-	-	2,280	2,280	-
Appropriations released to meet expenditures	5,160	-	-	531	-	5,691	6,655
New appropriations	(5,010)	-	-	(771)	-	(5,781)	(6,268)
	(250)	(11)	-	(240)	2,343	1,842	117
NET INCREASE (DECREASE) DURING YEAR	(6)	605	566	(301)	1,686	2,550	(804)
FUND BALANCES AT BEGINNING OF YEAR	9	2,733	2,178	120	1,145	6,185	6,989
FUND BALANCES AT END OF YEAR	3	3,338	2,744	(181)	2,831	8,735	6,185

STATEMENT 4

UNIVERSITY OF VICTORIA
COMBINED STATEMENT OF CHANGES IN NON-EXPENDABLE STUDENT LOAN
AND ENDOWMENT PRINCIPAL FUNDS
Year ended March 31, 1988 (in thousands of dollars)

	Student Loan	Endowment	Total 1988	Total 1987
-----	-----	-----	-----	-----
ADDITIONS				
Gifts, grants and bequests	1	613	614	405
Realized gains on investments	-	441	441	755
	-----	-----	-----	-----
	1	1,054	1,055	1,160
-----	-----	-----	-----	-----
DEDUCTIONS				
Bad loans	-	-	-	10
-----	-----	-----	-----	-----
INTER-FUND TRANSFERS	-	348	348	270
-----	-----	-----	-----	-----
NET INCREASE (DECREASE) DURING YEAR	1	1,402	1,403	1,420
FUND BALANCES AT BEGINNING OF YEAR	74	15,167	15,241	13,821
-----	-----	-----	-----	-----
FUND BALANCES AT END OF YEAR	75	16,569	16,644	15,241
=====	=====	=====	=====	=====

UNIVERSITY OF VICTORIA
 COMBINED STATEMENT OF CHANGES IN EQUITY IN PLANT ASSETS
 Year ended March 31, 1988 (in thousands of dollars)

	1988	1987

ADDITIONS		
Additions to plant assets	8,892	10,488
Repayment of capital borrowings from -		
Provincial government grants	983	720
Interest earnings on sinking fund	567	496
Ancillary enterprise operations	62	61
Capital funds	51	46
	-----	-----
	10,555	11,811

DEDUCTIONS		
Authorized capital borrowings	1,759	2,511
Debenture financing costs	7	58
Equipment, furnishings and library		
holdings written off	1,950	1,415
Transfer to Capital Fund (Note 8)	2,280	-
	-----	-----
	5,996	3,984

NET INCREASE DURING YEAR	4,559	7,827
EQUITY AT BEGINNING OF YEAR	131,243	123,416

EQUITY AT END OF YEAR	135,802	131,243
=====		

WORKERS' COMPENSATION BOARD OF BRITISH COLUMBIA

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria,
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the Workers' Compensation Board, and

To the Minister of Labour and Consumer Services
Province of British Columbia:

I have examined the balance sheet of the Workers' Compensation Board as at 31 December 1987 and the statements of income and expense and unappropriated surplus, changes in fund liabilities, changes in reserve balances and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at 31 December 1987 and the results of its operations and the changes in its fund liabilities, reserve balances and financial position for the year then ended in accordance with the accounting principles described in note 1 to the financial statements applied, after giving retroactive effect to the change in the method of accounting for expenditures incurred on major information systems projects as explained in note 2, on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Workers' Compensation Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.

Victoria, British Columbia
4 March 1988

A handwritten signature in dark ink, appearing to read "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General



WORKERS' COMPENSATION BOARD

BALANCE SHEET**AS AT 31 DECEMBER 1987 (in \$,000's)****EXHIBIT 1**

	<u>1987</u>	<u>1986</u>
ASSETS		
Assessments and accrued interest receivable	115,566	127,873
Deposit account unfinalled claims receivable	69,730	69,157
Portfolio investments (Note 3)	2,544,790	2,481,283
Fixed assets (Note 4)	55,032	56,725
	<u>2,785,118</u>	<u>2,735,038</u>
LIABILITIES, RESERVES AND UNAPPROPRIATED SURPLUS		
Accounts payable and accrued liabilities	17,601	22,315
Accident fund liabilities (Exhibit 3)	2,512,218	2,305,738
Silicosis fund liabilities (Exhibit 3)	30,820	31,312
Deferred long-term investment (losses) gains (Note 5)	(37,065)	79,837
	<u>2,523,574</u>	<u>2,439,202</u>
Accident fund special reserves (Exhibit 4)	37,846	34,526
Benefit maintenance and assessment rate stabilization reserve (Exhibit 4)	145,799	150,000
Unappropriated surplus (Exhibit 2)	77,899	111,310
	<u>2,785,118</u>	<u>2,735,038</u>

The accompanying eight notes are an integral part of these financial statements.

Approved by the Board :

J.A. Nielsen
Chairman

B. Korman
Commissioner

J.M. Nutter
Commissioner



WORKERS' COMPENSATION BOARD

EXHIBIT 2

**STATEMENT OF INCOME AND EXPENSE AND UNAPPROPRIATED SURPLUS
FOR THE YEAR ENDED 31 DECEMBER 1987 (in \$,000's)**

	<u>1987</u>	<u>1986</u>
INCOME		
Assessments		
Classes	296,367	399,749
Deposit accounts	24,532	18,486
Penalties	<u>2,465</u>	<u>3,104</u>
	<u>323,364</u>	<u>421,339</u>
Investment income		
Earned for the year	246,947	230,990
Amortization of long-term investment gains (losses) (Note 5)	<u>1,843</u>	<u>48,702</u>
	<u>248,790</u>	<u>279,692</u>
	<u>572,154</u>	<u>701,031</u>
EXPENSE		
Current year claims		
Wage loss compensation	91,748	83,563
Medical aid payments	31,364	27,084
Pension awards, capitalized values	15,739	12,886
Provision for unfinalled claims	<u>196,934</u>	<u>173,774</u>
	<u>335,785</u>	<u>297,307</u>
Prior years' claims		
Investment income allocated to the fund liabilities and special reserves	<u>248,790</u>	<u>279,692</u>
Adjustment to prior years' actuarial estimates	<u>(73,265)</u>	<u>(253,240)</u>
	<u>175,525</u>	<u>26,452</u>
Administration and other expenses		
Administration	75,153	69,289
Review Board and Advisors	5,036	3,406
Research grants and awards	<u>1,267</u>	<u>923</u>
	<u>81,456</u>	<u>73,618</u>
	<u>592,766</u>	<u>397,377</u>
NET (LOSS) INCOME	(20,612)	303,654
UNAPPROPRIATED SURPLUS (UNFUNDED LIABILITY) - 1 January	111,310	(31,844)
APPROPRIATION TO SPECIAL RESERVES	(17,000)	(10,500)
TRANSFER FROM (APPROPRIATION TO) BENEFIT MAINTENANCE AND ASSESSMENT RATE STABILIZATION RESERVE	<u>4,201</u>	<u>(150,000)</u>
UNAPPROPRIATED SURPLUS - 31 December (Exhibit 1)	<u><u>77,899</u></u>	<u><u>111,310</u></u>



WORKERS' COMPENSATION BOARD

EXHIBIT 3

**STATEMENT OF CHANGES IN FUND LIABILITIES
FOR THE YEAR ENDED 31 DECEMBER 1987 (in \$,000's)**

	Accident Fund		Silicosis Fund	
	1987	1986	1987	1986
ADDITIONS TO THE FUND LIABILITIES				
Current year claims				
Provision for unfinalled claims	196,382	172,981	552	793
Pension awards, capitalized values	22,978	16,145	—	98
Prior years' claims				
Investment income allocation	242,998	272,881	3,408	4,245
Adjustment to prior years' actuarial estimates	(71,393)	(248,401)	(1,872)	(4,839)
	<u>390,965</u>	<u>213,606</u>	<u>2,088</u>	<u>297</u>
DEDUCTIONS FROM THE FUND LIABILITIES				
Pensions paid	105,818	99,758	2,430	2,421
Wage loss compensation	48,817	41,148	36	—
Medical aid payments	29,850	28,810	114	50
	<u>184,485</u>	<u>169,716</u>	<u>2,580</u>	<u>2,471</u>
CURRENT YEAR INCREASE (DECREASE)	206,480	43,890	(492)	(2,174)
BALANCE - 1 January	<u>2,305,738</u>	<u>2,261,848</u>	<u>31,312</u>	<u>33,486</u>
BALANCE - 31 December (Exhibit 1)	<u>2,512,218</u>	<u>2,305,738</u>	<u>30,820</u>	<u>31,312</u>
Represented by:				
Provision for unfinalled claims	1,063,803	1,000,613	10,709	10,858
Pension awards, capitalized values	<u>1,448,415</u>	<u>1,305,125</u>	<u>20,111</u>	<u>20,454</u>
	<u>2,512,218</u>	<u>2,305,738</u>	<u>30,820</u>	<u>31,312</u>



WORKERS' COMPENSATION BOARD

EXHIBIT 4

**STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED 31 DECEMBER 1987 (in \$,000's)**

ACCIDENT FUND SPECIAL RESERVES

	Total				
	Contingent	Disaster	Enhancement	1987	1986
ADDITIONS TO THE RESERVES					
Appropriation of net income	—	2,000	15,000	17,000	10,500
Investment income allocation	160	1,242	982	2,384	2,566
	160	3,242	15,982	19,384	13,066
DEDUCTIONS FROM THE RESERVES					
Pension awards, capitalized values	—	2,025	5,214	7,239	3,268
Wage loss compensation	—	292	6,109	6,401	5,864
Medical aid payments	—	78	2,346	2,424	1,997
	—	2,395	13,669	16,064	11,129
CURRENT YEAR INCREASE	160	847	2,313	3,320	1,937
BALANCE - 1 January	1,784	14,997	17,745	34,526	32,589
BALANCE - 31 December (Exhibit 1)	1,944	15,844	20,058	37,846	34,526

**BENEFIT MAINTENANCE AND ASSESSMENT
RATE STABILIZATION RESERVE**

	<u>1987</u>	<u>1986</u>
CURRENT YEAR (DECREASE) INCREASE		
(Transfer to) Appropriation of surplus	(4,201)	150,000
BALANCE - 1 January	<u>150,000</u>	<u>—</u>
BALANCE - 31 December (Exhibit 1)	<u>145,799</u>	<u>150,000</u>



WORKERS' COMPENSATION BOARD

EXHIBIT 5

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 1987 (in \$,000's)**

	<u>1987</u>	<u>1986</u>
OPERATING ACTIVITIES		
Net (loss) income	(20,612)	303,654
Add (deduct) items not requiring cash:		
Provision for unfinalled claims	196,934	173,774
Adjustment to prior years' actuarial estimates	(73,265)	(253,240)
Investment income allocated to fund liabilities and special reserves	248,790	279,692
Pension awards, capitalized values	15,739	12,886
Depreciation	5,421	3,488
Loss on disposal of fixed assets	22	1,767
Pension payments recovered from third parties	—	89
Deduct cash applied in settlement of fund liabilities or charged against special reserves:		
Pensions paid	(108,248)	(102,179)
Wage loss compensation	(55,254)	(47,012)
Medical aid payments	(32,388)	(30,857)
Funds provided by operating activities	<u>177,139</u>	<u>342,062</u>
OTHER ACTIVITIES		
Purchase of fixed assets	(4,343)	(14,142)
Proceeds from the disposal of fixed assets	593	432
Decrease in deferred long-term investment gains and losses	(116,902)	(17,947)
Decrease in assessments and accrued interest receivable	12,307	5,944
Decrease in accounts payable and accrued liabilities	(4,714)	(401)
Increase in deposit account unfinalled claims receivable	(573)	(2,409)
Funds applied to other activities	<u>(113,632)</u>	<u>(28,523)</u>
INCREASE IN FUNDS INVESTED	63,507	313,539
FUNDS INVESTED - 1 January	<u>2,481,283</u>	<u>2,167,744</u>
- 31 December	<u><u>2,544,790</u></u>	<u><u>2,481,283</u></u>



WORKERS' COMPENSATION BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1987

Note 1 - Significant Accounting Policies

(a) Fund Accounting

Although the liabilities and reserves of the Board are allocated to the Accident and Silicosis Funds and various sub-divisions thereof, the assets are recorded on a pooled basis with no allocation of individual assets to specific funds.

(b) Portfolio Investments

Long-term investments, consisting primarily of bonds of the Government of Canada, various Provinces and Crown corporations, having terms greater than 1 year, are stated at market value. The amount by which market value differs from book value represents an unrealized gain or loss. Unrealized gains and losses occurring during the year, together with gains and losses realized on disposal of long-term investments during the year, are deferred and amortized on a straight-line basis over a five year period.

Short-term investments, consisting primarily of treasury bills and discounted bank notes, having terms less than or equal to 1 year, are stated at amortized cost.

(c) Fixed Assets

Fixed assets are reported at cost and are depreciated on a straight-line basis over their estimated useful lives. The rates used are as follows:

Buildings	20 to 40 years
Equipment	3 to 10 years
Furniture	10 years
Vehicles	5 years

(d) Accident and Silicosis Fund Liabilities

The Board appoints a consulting actuary who examines the Fund liabilities and the underlying assumptions and methods. The report of the consulting actuary is appended to these financial statements.

(i) Unfinalled Claims

Provisions for future claims costs relating to injuries occurring prior to 31 December 1987, for which the final settlement has not been determined, represent the unfinalled claims liabilities which are part of the Accident and Silicosis Funds established under Sections 39 (1)(c) and 41 (2)(b) of the Workers' Compensation Act. Wage loss compensation and medical aid payments made, and the capitalized value of pension awards granted, after the year of injury (or after the year in which the claim is allowed, in the case of Silicosis), are charged to the respective unfinalled claims liabilities.

(ii) Pensions

Capitalized values of pension awards are credited to the pension liability provisions, which are then charged with pensions paid. When a pension is awarded for an injury which occurred in the current year, its capitalized value is treated as a current period expense. In the case of a pension awarded after the year of the injury (or after the year in which the claim is allowed, in the case of Silicosis), the pension is charged to the appropriate unfinalled claims liability.

(e) Reserves

(i) Accident Fund special reserves established pursuant to Section 39 of the Workers' Compensation Act are:

- Contingent Reserve [Section 39 (1)(c)] which provides a reserve in aid of industries or classes which may become depleted or extinguished.

- Disaster Reserve [Section 39 (1)(d)] which provides a reserve to be used to meet the loss arising from a disaster or other circumstances which the Board considers would unfairly burden the employers in a particular class.

- Enhancement Reserve [Section 39 (1)(e)] which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition or disability.

Investment income is allocated to these reserves, pro rata, from total investment income earned by the Board.

Claims deemed by the Board to be covered by these reserves are deducted directly from the reserves and are not charged to current operations.

- (iii) The Board has established a Benefit Maintenance and Assessment Rate Stabilization Reserve which may be used to reduce the impact on assessment rates resulting from such changes as claim frequencies, benefit levels or rates of return on investments.

The Board determines the amounts required to maintain these reserves at an adequate level and resulting appropriations are prorated to the various employer classes.

(f) Current Year Claims

Wage loss compensation and medical aid payments represent expenditures resulting from injuries which occurred during the current year. Amounts recorded as "Pension awards, capitalized values" and as "Provision for unfinalled claims" are the actuarial estimates of the present values of future payments resulting from injuries which occurred during the current year. The calculation of the present value provides for the future indexation of pensions by assuming that the annual rate of return on the Board's investments will exceed the annual increase in the Consumer Price Index (CPI) by 2%.

(g) Prior Years' Claims

The Board determines its liabilities at the end of each year for all injuries that have taken place to that time. During the following year, it makes benefit payments and sets new awards on those prior injuries; benefits are also increased in line with increases in the CPI. Investment income is also earned on the assets available to finance those liabilities. At the end of the following year, the Board redetermines its actuarial requirements for those prior injuries, taking into account the actual investment income, benefit increases, claims payments and pension awards made during the year. The actuarial assumptions used in those calculations may also be modified to include the more recent experience of such factors as mortality, claims levels and claims costs.

This process results in an adjustment to the requirements previously set aside for all injuries to the end of the previous year, and is described in these statements as the "Adjustment to prior years' actuarial estimates".

(h) Assessment Income and Assessments Receivable

As a significant portion of assessment income for the year is not received until after the year-end, the amount shown is an estimate based on statistical data. The difference between the estimate and the actual income received is credited or charged to income in the following year.

(i) Deposit Account Unfinalled Claims Receivable

Certain employers have been placed in deposit classes. These employers are billed on a monthly basis for wage loss compensation, medical aid payments and the capitalized value of pension awards made on their behalf, together with their proportionate share of administrative costs.

The receivable represents the present value of the estimated future payments for the unfinalled claims of deposit classes, less deposits required to be placed on account with the Board.

The Board also acts as the agent of the Government of Canada for the payment of compensation to federal employees in British Columbia. Amounts paid are recovered from the Government of Canada on a monthly basis.

Note 2 - Change in Accounting Policy

During the year, the Board changed its accounting policy for expenditures incurred on major information systems projects. Previously, these expenditures were amortized over a period of three to five years. These expenditures are now charged as incurred to current year administration expenses.

This change in policy has been applied retroactively and the prior year figures have been restated. The overall effect of the restatement was to decrease both the 1986 net income and the unappropriated surplus at 31 December 1986 by \$1,968,000 to \$303,654,000 and \$111,310,000 respectively. The effect in the current year is insignificant.

Note 3 - Portfolio Investments (\$,000's)

	<u>1987</u>	<u>1986</u>
Long-term investments, market value	1,898,952	1,763,318
Short-term investments, amortized cost	645,337	728,536
Cash (bank indebtedness)	<u>501</u>	<u>(10,571)</u>
	<u>2,544,790</u>	<u>2,481,283</u>

Note 4 - Fixed Assets (\$,000's)

	<u>1987</u>				<u>1986</u>
	<u>Cost</u>	<u>Depreciation</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	1,639	—	—	1,639	1,639
Buildings	49,715	1,347	9,739	39,976	41,303
Furniture, Equipment & Vehicles	<u>25,899</u>	<u>4,074</u>	<u>12,482</u>	<u>13,417</u>	<u>13,783</u>
Totals	<u>77,253</u>	<u>5,421</u>	<u>22,221</u>	<u>55,032</u>	<u>56,725</u>

Note 5 - Deferred Long-Term Investment (Losses) Gains (\$,000's)

	<u>1987</u>	<u>1986</u>
Balance - 1 January	79,837	97,784
Realized net losses for the year	(6,466)	(141)
Unrealized net (losses) gains for the year	<u>(108,593)</u>	<u>30,896</u>
	<u>(35,222)</u>	<u>128,539</u>
Amortization credited to investment income	<u>1,843</u>	<u>48,702</u>
Balance - 31 December	<u>(37,065)</u>	<u>79,837</u>

Note 6 - Superannuation Plan

The Board and its employees contribute to the Workers' Compensation Board Superannuation Plan.

The Board's 1987 contributions to the Plan amounted to \$4,608,000 (1986 - \$4,399,000).

The Plan requires an actuarial valuation of the Plan's liabilities at intervals of not more than three years. The last valuation, carried out as at 31 March 1985, showed that based on the Plan provisions, and ignoring liabilities and financing for future indexed supplementary pensions, the unfunded liability of the Plan was approximately \$21 million. This unfunded liability is not included in these financial statements. The Board's current rate of regular contributions is projected to amortize the 1985 unfunded liability by the year 2007.

Note 7 - Revision of Mortality Rates

The Board examines most actuarial assumptions annually, except for mortality rates which, because of their nature, are reviewed less frequently. Mortality rates were last reviewed in 1981. The Board has examined the mortality experience for disabled pensioners in the Accident Fund and has revised its rates to reflect recent experience. The revised rates used have had the effect of increasing the Accident Fund liabilities and decreasing the net income by approximately \$99 million in the current year.

Note 8 - Comparatives

In addition to the restatement referred to in Note 2, certain comparative figures have been reclassified to conform with the current year's presentation.

ACTUARY'S REPORT

ECKLER PARTNERS LTD.

The Pension Liabilities for the Accident and Silicosis Funds are for pensions in effect as at 1 January 1988, but excluding pensions arising from injuries to Federal Government workers (Class 19). The present value of increases in pensions effective 1 January 1988 has been included in the Liabilities. The mortality table for disabled pensioners in the Accident Fund was revised on the basis of recent experience. With this exception, the Pension Liabilities have been computed using the same mortality, net interest rate and other assumptions used for the valuation as at 31 December 1986. The net interest rate of 2½% makes implicit provision for the future indexing of pensions on the assumption that interest earnings on Board assets in excess of 2½% will correspond to future increases in the Consumer Price Index.

The Unfinalled Claims Liabilities for the Accident and Silicosis Funds are shown separately for Rateable Classes and for Deposit Classes (excluding Class 19), and are based on projections of future claims payments and awards using ratios developed from the Board's claims experience, average benefit rates, the net interest rate assumption of 2½% and, where applicable, mortality, remarriage and other assumptions used for computing Pension Liabilities. The methods used in calculating these liabilities were substantially the same as those employed in the previous valuation as at 31 December 1986.

The liabilities included in this report have been computed by the Board in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient for our purposes and consistent with the Board's financial statements.

In our opinion, the amounts set out below, which have been determined by the methods and assumptions described above, make reasonable provision for the future liabilities of the Board as at 31 December 1987.

Accident Fund	
Pension Liabilities	\$1,448,415,000
Unfinalled Claims Liabilities	
- Rateable Classes	989,417,000
- Deposit Classes	<u>74,386,000</u>
	<u>\$2,512,218,000</u>
 Silicosis Fund	
Pension Liabilities	\$ 20,111,000
Unfinalled Claims Liabilities	<u>10,709,000</u>
	<u>\$ 30,820,000</u>



Jacob Levi, F.S.A., F.C.I.A.
11 March 1988

Eckler Partners Ltd.
Consulting Actuaries

SECTION G

TRUST FUNDS

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**SUMMARY OF THE FINANCIAL POSITION OF TRUST FUNDS
HELD AND ADMINISTERED**
(unaudited)

(Thousands of Dollars)

	BALANCE SHEET ¹			Previous Year Fund Balances ¹
	Assets	Liabilities	Fund Balances	
Superannuation, Pension and Long-Term Disability Funds				
Public Service Superannuation Fund ²	2,959,707	1,092	2,958,615	2,622,704
Members of the Legislative Assembly Superannuation Account ²	3,434	1,050	2,384	2,268
Municipal Superannuation Fund ²	2,939,479	1,944	2,937,535	2,605,695
Teachers' Pension Fund ²	2,236,116	949	2,235,167	1,990,068
College Pension Fund ²	190,184	103	190,081	165,600
B.C. Rail Ltd. Pension Fund ²	179,604	54	179,550	157,796
British Columbia Hydro and Power Authority Pension Fund ²	636,595	1,687	634,908	584,857
British Columbia Power Commission Superannuation Fund ²	30,328	12	30,316	30,090
Public Service Long-Term Disability Fund ³	50,563	1,952	48,611	44,591
Crown Corporation Long-Term Disability Fund ³	7,729	244	7,485	6,775
Subtotals	9,233,739	9,087	9,224,652	8,210,444
Sinking Funds³				
British Columbia Building Corporation	55,722	—	55,722	46,571
British Columbia Educational Institutions Capital Financing Authority	77,080	17	77,063	61,646
British Columbia Hydro and Power Authority	1,121,222	70	1,121,152	1,103,540
British Columbia Railway Company	582,612	—	582,612	599,929
British Columbia Regional Hospital Districts Financing Authority	363,033	31	363,002	336,570
British Columbia School Districts Capital Financing Authority	668,562	45	668,517	672,207
Greater Vancouver Sewerage and Drainage District	12,174	7	12,167	17,312
Province of British Columbia	156,490	—	156,490	89,241
Province of British Columbia — Fiscal Agency Borrowings	43,067	10	43,057	40,436
Other	28,099	3	28,096	22,832
Subtotals	3,108,061	183	3,107,878	2,990,284
Investment Funds of Crown Corporations and Agencies³				
British Columbia Development Corporation Trust	16,176	17	16,159	17
British Columbia Ferry Corporation Trust	40,095	10	40,085	26,671
British Columbia Health Care Research Foundation	2,239	1	2,238	2,160
British Columbia Heritage Trust	2,000	1	1,999	1,837
British Columbia Housing and Employment Development Financing Authority Trust	1,868	—	1,868	(128)
British Columbia Hydro and Power Authority Trust	112,835	8	112,827	72,261
British Columbia Lottery Corporation Trust	26,538	5	26,533	9,865
B.C. Pavilion Corporation Trust	3,991	2	3,989	1
British Columbia Railway Company Trust	13,671	2	13,669	—
British Columbia Transit Trust	21,055	8	21,047	26,304
Discovery Foundation Trust	1,143	1	1,142	—
Expo 86 Corporation Trust	—	—	—	48,353
Health Facilities Association of British Columbia Trust	1,892	42	1,850	816
Provincial Capital Commission	1,844	1	1,843	2,283
Other	38	12	26	134
Subtotals	245,385	110	245,275	190,574
Investment Funds of Workers' Compensation Board of British Columbia³				
	2,719,050	95	2,718,955	2,546,619
Other Trust Funds³				
Public Trustee and Official Administrators	258,472	3,188	255,284	237,549
Crop Insurance Fund	9,632	20,519	(10,887)	(13,478)
Land Registry Assurance Fund	975	—	975	1,219
Supreme and County Court Rules	75,316	—	75,316	73,085
Other Trust Deposits	70,771	306	70,465	57,005
Subtotals	415,166	24,013	391,153	355,380
GRAND TOTALS	15,721,401	33,488	15,687,913	14,293,301

NOTES

¹ Totals are shown only to give the reader an idea of the size and scope of the trust funds held and administered by the Province on a collective basis.

² The figures for the superannuation and pension funds are taken from the latest audited financial statements included in this section, which do not all have the same fiscal year end.

³ The figures for these funds are taken from the records of the Province as at March 31, 1988, and therefore may differ from the figures in the financial statements of the applicable Crown Corporations and Agencies contained in Section F.

PUBLIC SERVICE SUPERANNUATION FUND

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Superannuation Commissioner,

To the Minister of Government Management Services,
Province of British Columbia, and

To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have examined the statement of financial position of the Public Service Superannuation Fund as at March 31, 1988 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1988 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Pension (Public Service) Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.

A handwritten signature in cursive script, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
August 5, 1988

PUBLIC SERVICE SUPERANNUATION FUND


STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 1988

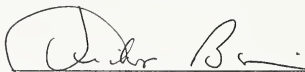
	<u>1988</u>	<u>1987</u>
	(\$ Thousands)	
ASSETS		
Cash	\$ 940	\$ 2,508
Accounts receivable	52,694	8,033
Due from Members of the Legislative Assembly Superannuation Account (Note 7)	1,050	9,488
Accrued interest	50,207	68,163
Investments (Note 3)	2,847,496	2,527,104
Deferred losses less gains on sale of investments (Note 4)	7,320	8,171
	<u>\$ 2,959,707</u>	<u>\$ 2,623,467</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,092	\$ 763
FUND BALANCE		
Basic Account	2,643,151	2,339,150
Inflation Adjustment Account	315,464	283,554
	<u>2,958,615</u>	<u>2,622,704</u>
	<u>\$ 2,959,707</u>	<u>\$ 2,623,467</u>

The eight accompanying notes are an integral part of these financial statements.

APPROVED BY:



John W. Cook, F.C.I.A.
Superannuation Commissioner



Victor Barwin, C.A.,
Director, Finance, Superannuation Commission

PUBLIC SERVICE SUPERANNUATION FUND
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 1988

	Basic Account	Inflation Adjustment Account	Totals	
			1988	1987
	(\$ Thousands)			
FUND BALANCE INCREASED BY				
Contributions				
Employees				
Current	\$ 55,670	\$ 15,459	\$ 71,129	\$ 68,098
Voluntary	205	-	205	391
Purchase of service	682	-	682	203
Reinstatement	203	-	203	116
	<u>56,760</u>	<u>15,459</u>	<u>72,219</u>	<u>68,808</u>
Employers				
Province of British Columbia				
Current	59,533	10,677	70,210	67,914
Purchase of service	447	-	447	165
Reinstatement	199	-	199	127
Early Retirement Incentive Program (Note 5)	42,250	-	42,250	-
Other Employers				
Current	26,992	4,770	31,762	29,796
Purchase of service	138	-	138	79
	<u>129,559</u>	<u>15,447</u>	<u>145,006</u>	<u>98,081</u>
Transfers from other funds	916	111	1,027	1,508
Transfers from Members of the Legislative Assembly Superannuation Account (Note 7)				
Capitalized value of contributory allowances	1,037	-	1,037	9,424
Inflation adjustment contributions	-	33	33	44
Income from investments	234,485	26,850	261,335	240,415
	<u>422,757</u>	<u>57,900</u>	<u>480,657</u>	<u>418,280</u>
FUND BALANCE DECREASED BY				
Superannuation allowance payments				
Contributory	99,961	-	99,961	91,110
Inflation adjustment supplements	22,687	-	22,687	19,212
	<u>122,648</u>	<u>-</u>	<u>122,648</u>	<u>110,322</u>
Refunds	15,941	3,142	19,083	16,765
Transfers to other funds	691	103	794	370
Administration and actuarial fees	1,580	-	1,580	1,405
Investment management fees	571	70	641	786
	<u>141,431</u>	<u>3,315</u>	<u>144,746</u>	<u>129,648</u>
NET INCREASE BEFORE TRANSFERS	<u>281,326</u>	<u>54,585</u>	<u>335,911</u>	<u>288,632</u>
TRANSFERS (Note 6)				
Capitalized value of inflation adjustment supplements granted (1987 - \$37,030)	44,921	(44,921)	-	-
Capitalized value of indexing of highest average salary (1987 - \$1,080)	960	(960)	-	-
Excess interest (1987 - \$33,714)	(23,206)	23,206	-	-
	<u>22,675</u>	<u>(22,675)</u>	<u>-</u>	<u>-</u>
NET INCREASE IN FUND BALANCE	<u>304,001</u>	<u>31,910</u>	<u>335,911</u>	<u>288,632</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>2,339,150</u>	<u>283,554</u>	<u>2,622,704</u>	<u>2,334,072</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,643,151</u>	<u>\$ 315,464</u>	<u>\$ 2,958,615</u>	<u>\$ 2,622,704</u>

PUBLIC SERVICE SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

1. DESCRIPTION OF THE PUBLIC SERVICE SUPERANNUATION PLAN

The following brief description of the plan is provided for general information only. For more complete information about the plan, reference should be made to the Pension (Public Service) Act.

a) General

The plan is a defined benefit pension plan, whereby benefits are not linked directly to contributions. The plan is open to eligible employees of the public service and certain Crown Corporations, agencies, institutions and other employers to which the Pension (Public Service) Act applies.

b) Contributions

Members contribute to the Basic Account 4-1/4% of salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings and 5-3/4% on earnings above that. Employers contribute to the Basic Account 6-3/4% of salary up to the Year's Maximum Pensionable Earnings and 8-1/4% on earnings above that. Members and employers also each contribute 1-1/4% of salary to the Inflation Adjustment Account which was created in 1980 to provide for the payment of inflation adjustment supplements.

c) Retirement Benefits

Members are eligible for an unreduced pension at an age within 5 years of normal retirement age with at least 10 years contributory service, or at age 55 with 35 years contributory service. A reduced pension is payable at an age 10 years under normal retirement age with at least 10 years contributory service.

The plan provides for a pension of 2% of the highest 5-year average salary for each year of pensionable service (to a maximum of 35 years). At age 65, or date of death or disability, if earlier, there is a reduction in the formula as a result of integration with the Canada Pension Plan.

The inflation adjustment supplements are provided each January 1st and are related to the annual increase in the Consumer Price Index (CPI) as at the previous September 30th. The increase is pro-rated if the capitalized value of the increase exceeds the funds available in the Inflation Adjustment Account. As there were sufficient funds available at January 1, 1988, a full CPI increase of 4.5% (1987 - 4.1%) to the basic lifetime portion of the contributory superannuation allowances in force was provided.

d) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees with at least 10 years of contributory service who leave contributions in the Fund are entitled to deferred pension benefits. Terminating employees not withdrawing contributions may carry certain pension rights to other pension plans that have portability arrangements with the Public Service Superannuation Plan. New contributors may also, under portability arrangements, transfer contributions and service from other plans to provide for, or to increase, pension benefits under the Public Service Superannuation Plan.

PUBLIC SERVICE SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

1. DESCRIPTION OF THE PUBLIC SERVICE SUPERANNUATION PLAN (Continued)

e) Other Benefits

Disability and survivor benefits are available under the plan.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at March 31, 1988 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the superannuation plan. The results of the latest actuarial valuation of the plan are described in Note 8 below.

b) Investments

- (i) Short-term investments are carried at cost of acquisition.
- (ii) Units in Pooled Investment Portfolios are carried at the cost of acquisition adjusted by income attributed to the units. Income attributed to the units represents the Fund's share of investment income earned by the Portfolios and is realizable by the Fund upon the sale of the units.
- (iii) Long-term bonds and notes are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the bonds and notes. Discounts on serial bonds are recognized as income when redemptions occur.
- (iv) Shares are carried at cost adjusted annually by 7% of the difference between cost or adjusted cost and market value.

(c) Deferred Losses Less Gains on Sale of Investments

Gains and losses on disposal of long-term bonds and notes are deferred and amortized on a straight line basis over the lesser of the remaining terms of the bonds and notes or twenty years. The amortization is charged against income from investments.

3. INVESTMENTS

The book value of investments held at the end of the year was as follows:

	<u>1988</u>	<u>1987</u>
	(\$ Thousands)	
Short-term investments	\$ 33,513	\$ 843,740
Units in Province of British Columbia Pooled Investment Portfolios	960,079	-
Long-term bonds and notes	1,831,426	1,661,784
Shares	22,478	21,580
	<u>\$ 2,847,496</u>	<u>\$ 2,527,104</u>

As at March 31, 1988, the market value of the units was \$961,085,712 (1987 - nil), the market value of the long-term bonds and notes was \$1,854,717,216 (1987 - \$1,786,626,777) and the market value of the shares was \$34,415,542 (1987 - \$36,080,726).

PUBLIC SERVICE SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	<u>1988</u>	<u>1987</u>
	(\$ Thousands)	
Balance at beginning of year	\$ 8,171	\$ 14,556
Gains less losses on sale of investments	<u>902</u>	<u>5,134</u>
	7,269	9,422
Amortization for the year	<u>51</u>	<u>1,251</u>
Balance at end of year	<u><u>\$ 7,320</u></u>	<u><u>\$ 8,171</u></u>

5. EARLY RETIREMENT INCENTIVE PROGRAM

The Province of British Columbia offered an early retirement incentive program to eligible employees during the period October 20, 1987 to March 31, 1988. Approximately 2,600 employees retired under this program. The Province will be contributing to the fund a lump sum payment to fund the waiver of the Plan's early retirement reduction formula for employees retiring before their normal retirement age. The amount of this benefit has been calculated at \$42,250,000 and has been included in the Accounts Receivable as at March 31, 1988.

6. TRANSFERS

The Basic Account is increased by the capitalized value of inflation adjustment supplements and the capitalized value of the indexing of the highest average salary for employees electing deferred pensions during the year.

The Inflation Adjustment Account is increased by income that is earned on assets held in the Basic Account in respect of pensions being paid, and which is in excess of income calculated using the interest rate assumed by the Actuary.

7. TRANSFERS FROM THE MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

Former Members of the Legislative Assembly who have been granted superannuation allowances are paid contributory allowances and inflation adjustment supplements from the Public Service Superannuation Fund (the Fund).

A contributory allowance is financed at the time the allowance is first granted by the transfer to the Fund from the Members of the Legislative Assembly Superannuation Account (the Account) of the capitalized value of the superannuation allowance.

Former members receiving an allowance who are re-elected to the Legislature cease to receive an allowance and resume contributing to the Account. In addition, an amount equal to the capitalized value of their superannuation allowance is transferred from the Public Service Superannuation Fund to the Account.

PUBLIC SERVICE SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

7. TRANSFERS FROM THE MEMBERS OF THE LEGISLATIVE ASSEMBLY
SUPERANNUATION ACCOUNT (Continued)

During the year ended March 31, 1988, 2 Members (1987 - 22) were granted superannuation allowances. The capitalized value of these allowances was \$1,035,766 (1987 - \$9,424,137) which is due from the Account.

8. ACTUARIAL VALUATION

According to the Pension (Public Service) Act, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary at least once in each consecutive period of not more than 5 years. The most recent valuation was carried out as at March 31, 1987. The valuation indicated a decrease in the unfunded liability in respect of basic pension benefits from \$555,858,000 as of March 31, 1984 to \$456,062,000 as of March 31, 1987. This decrease is the net result of a number of items, the most significant being greater than forecast income from investments, offset by experience gains and losses on other actuarial assumptions.

The contributions required under the pension plan were determined under a "level contribution" funding method. This method expresses employer contributions as a constant percentage of future payrolls that, together with future employee contributions and investment earnings, will finance the benefits for a typical new entrant to the plan and, in addition, will maintain the unfunded liability as a constant percentage of future payrolls.

**MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION
ACCOUNT**

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Superannuation Commissioner,

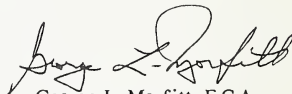
To the Minister of Government Management Services,
Province of British Columbia, and

To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have examined the statement of financial position of the Members of the Legislative Assembly Superannuation Account, an account in the Ministry of Finance and Corporate Relations, as at March 31, 1988 and the statement of changes in account balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Account as at March 31, 1988 and the changes in the account balance for the year then ended in accordance with the accounting principles described in note 3 to the financial statements applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with Part 2 of the Legislative Assembly Allowances and Pension Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.


George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 30, 1988

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 1988

19881987

(\$ Thousands)

ASSETS

Cash	\$ 228	\$ 199
Due from Province of British Columbia (Note 5)	623	6,892
Contributions receivable	50	32
Accrued interest	67	166
Investments (Note 4)	2,466	4,498
	<u>\$ 3,434</u>	<u>\$ 11,787</u>

LIABILITIES

Accounts payable	\$ -	\$ 31
Due to Public Service Superannuation Fund (Note 5)	1,050	9,488
	<u>1,050</u>	<u>9,519</u>

ACCOUNT BALANCE

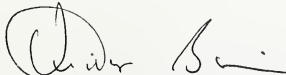
2,384	2,268
<u>\$ 3,434</u>	<u>\$ 11,787</u>

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:



 John W. Cook, F.C.I.A.
 Superannuation Commissioner



 Victor Barwin, C.A.,
 Director, Finance, Superannuation Commission

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

STATEMENT OF CHANGES IN ACCOUNT BALANCE

FOR THE YEAR ENDED MARCH 31, 1988

	<u>1988</u>	<u>1987</u>
	(\$ Thousands)	
ACCOUNT BALANCE INCREASED BY		
Contributions		
Members of the Legislative Assembly		
Regular	\$ 102	\$ 147
Reinstatement and arrears	37	28
	<u>139</u>	<u>175</u>
Province of British Columbia		
Regular	103	147
Reinstatement and arrears	37	29
Terminal funding on allowances granted (Note 5)	623	6,892
	<u>763</u>	<u>7,068</u>
Income from investments	284	384
TOTAL INCREASE	<u>1,186</u>	<u>7,627</u>
ACCOUNT BALANCE DECREASED BY		
Transfers to the Public Service Superannuation Fund (Note 5)		
Capitalized value of contributory allowances	1,037	9,424
Inflation adjustment contributions	33	44
Refunds	-	38
TOTAL DECREASE	<u>1,070</u>	<u>9,506</u>
NET INCREASE (DECREASE) IN ACCOUNT BALANCE	116	(1,879)
ACCOUNT BALANCE AT BEGINNING OF YEAR	2,268	4,147
ACCOUNT BALANCE AT END OF YEAR	<u>\$ 2,384</u>	<u>\$ 2,268</u>

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

1. THE MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

Under Part 2 of the Legislative Assembly Allowances and Pension Act, the Members of the Legislative Assembly Superannuation Account is an account in the Ministry of Finance and Corporate Relations of the Province of British Columbia.

The Account receives contributions from the Crown in right of the Province as the employer and from participating members who are elected Members of the Legislative Assembly. The Minister of Finance and Corporate Relations invests available Account monies in various short-term and long-term investments.

When a contributor is granted a superannuation allowance, the amount required to finance his or her future contributory pension benefits is transferred to the Public Service Superannuation Fund and monthly contributory allowances are paid from that Fund. The Province provides additional funding if the amounts available in the Account are less than the capitalized value of allowances granted.

Former members receiving an allowance who are re-elected to the Legislature cease to receive an allowance and resume contributing to the Account. In addition, an amount equal to the capitalized value of their superannuation allowance is transferred from the Public Service Superannuation Fund to the Account.

2. DESCRIPTION OF THE MEMBERS OF THE LEGISLATIVE ASSEMBLY PENSION PLAN

The following brief description of the plan is provided for general information only. For more complete information, reference should be made to the Legislative Assembly Allowances and Pension Act.

a) General

The plan is a defined benefit pension plan, whereby benefits are not linked directly to contributions. The plan is open to all Members of the Legislative Assembly.

b) Contributions

Members and the Province each contribute to the Account 9% of salary and indemnities up to the contribution limit provided for in section 8(6) of the Income Tax Act (Canada) as amended. For calendar years 1987 and 1988 this limit is \$3,500.

c) Retirement Benefits

A member of the plan is entitled to a superannuation allowance upon ceasing to be a Member after having served seven years or for more than two parliaments, and having attained the age of 55 years or having attained an age plus years of service as a member totalling 60 or more years.

The plan provides a superannuation allowance of 5% per year of service up to a maximum of 80% of the average legislative allowance, special allowance and ministerial salary earned in the highest four years of service as a Member and as a minister or specified office holder.

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

2. BENEFITS AVAILABLE UNDER THE PLAN (Continued)

d) Termination Benefits

A member of the plan who ceases to be a Member may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Former members leaving contributions on deposit are entitled, if otherwise eligible, to a deferred pension benefit.

e) Other Benefits

Disability and survivor benefits are available under the plan.

3. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Account as at March 31, 1988 and the changes in Account balance for the year.

b) Investments

(i) Short-term investments are carried at cost of acquisition.

(ii) Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments.

4. INVESTMENTS

The book value of investments held at the end of the year was as follows:

	<u>1988</u>	<u>1987</u>
	(\$ Thousands)	
Short-term investments	\$ 1,469	\$ 3,461
Long-term investments	<u>997</u>	<u>1,037</u>
	<u>\$ 2,466</u>	<u>\$ 4,498</u>

At March 31, 1988, the market value of the long-term investments was \$914,169 (1987 - \$1,022,280).

The difference between the book value and market value of the investments is not considered to be a permanent reduction of the Account balance available for payment of plan benefits and therefore has not been provided for as at March 31, 1988.

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1988

5. TRANSFERS TO THE PUBLIC SERVICE SUPERANNUATION FUND

During the year ended March 31, 1988, 2 members (1987 - 22) were granted superannuation allowances.

The capitalized value of these allowances was \$1,035,766 (1987 - \$9,424,137) which is included in the amount Due to Public Service Superannuation Fund. This amount includes a contribution from the Province of British Columbia of \$623,442 (1987 - \$6,892,077) representing the excess of the capitalized value of allowances granted over the unencumbered amounts available in the Account. Also included in these allowances is \$934 which represents an amendment to a pension granted in 1988.

Under the Legislative Assembly Allowances and Pension Act, amounts deducted from members' eligible salaries and indemnities to secure inflation adjustment supplements and the matching payments made by the Province are transferable once a year from the Account to the Inflation Adjustment Account maintained in the Public Service Superannuation Fund, from which the supplementary allowances are paid. Any excess of contributions received over amounts transferred is included in the amount Due to Public Service Superannuation Fund.

6. ACTUARIAL VALUATION

An actuarial valuation of the Account is not required by the Legislative Assembly Allowances and Pension Act and no such valuation has been performed to date.

MUNICIPAL SUPERANNUATION FUND



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Commissioner of Municipal Superannuation, and

To the Provincial Secretary and Minister of Government Services,
Province of British Columbia:

I have examined the statement of financial position of the Municipal Superannuation Fund as at December 31, 1987 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1987 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied, except for the change in the method of accounting for discounts and premiums on long-term investments as explained in note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Municipal Superannuation Plan. In my opinion, these transactions were, in all significant respects, in compliance with the Plan.

A handwritten signature in dark ink, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

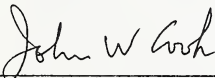
Victoria, British Columbia
May 30, 1988

MUNICIPAL SUPERANNUATION FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 1987

	<u>1987</u>	<u>1986</u>
	(\$ Thousands)	
ASSETS		
Cash	\$ 954	\$ 365
Contributions receivable	19,886	16,076
Accrued interest	51,692	59,168
Investments (Note 4)	2,858,604	2,521,789
Deferred losses less gains on sale of investments (Note 5)	8,343	10,202
	<u>\$2,939,479</u>	<u>\$2,607,600</u>
	<u><u>\$2,939,479</u></u>	<u><u>\$2,607,600</u></u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,944	\$ 1,905
FUND BALANCE		
Basic Account	2,536,199	2,254,743
Retirement Annuity Account	94,981	86,422
Inflation Adjustment Account	306,355	264,530
	<u>2,937,535</u>	<u>2,605,695</u>
	<u>\$2,939,479</u>	<u>\$2,607,600</u>
	<u><u>\$2,939,479</u></u>	<u><u>\$2,607,600</u></u>

The seven accompanying notes are an integral part of these financial statements.

APPROVED BY:



John W. Cook, F.C.I.A.,
Superannuation Commissioner, Trustee



Victor Barwin, C.A.,
Director, Finance, Superannuation Commission

MUNICIPAL SUPERANNUATION FUND

STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 1987

	Basic Account	Retirement Annuity Account	Inflation Adjustment Account	Totals	
				1987	1986
	(\$ Thousands)				
FUND BALANCE INCREASED BY					
Contributions					
Employees					
Current	\$ 97,419	\$ -	\$ 18,402	\$ 115,821	\$ 102,700
Voluntary	-	135	-	135	140
Special agreement and arrears	75	2,894	6	2,975	2,596
Purchase of service	191	-	-	191	154
Leave of absence	28	-	5	33	26
Reinstatement	157	8	-	165	102
	97,870	3,037	18,413	119,320	105,718
Employers					
Current	93,157	-	18,402	111,559	101,730
Special agreement and arrears	716	3,257	4	3,977	3,252
Purchase of service	211	-	-	211	153
Leave of absence	22	-	4	26	24
	94,106	3,257	18,410	115,773	105,159
Transfers from other funds	236	-	27	263	233
Income from investments	223,037	8,354	21,413	252,804	238,082
TOTAL INCREASE	415,249	14,648	58,263	488,160	449,192
FUND BALANCE DECREASED BY					
Superannuation allowance payments					
Contributory	103,844	-	-	103,844	93,212
Inflation adjustment supplements	23,226	-	-	23,226	19,798
Special agreement supplements	138	-	-	138	168
Reimbursement from former employers	(63)	-	-	(63)	(73)
	127,145	-	-	127,145	113,105
Refunds	20,863	362	3,416	24,641	26,749
Transfers to other funds	264	5	22	291	615
Medical Plan premiums	1,770	-	-	1,770	1,498
Administration and actuarial fees	1,779	-	-	1,779	1,783
Investment management fees	632	-	62	694	768
TOTAL DECREASE	152,453	367	3,500	156,320	144,518
NET INCREASE BEFORE TRANSFERS	262,796	14,281	54,763	331,840	304,674
TRANSFERS (NOTE 6)					
Capitalized value of inflation adjustment supplements granted (1986 - \$24,317)	39,042	-	(39,042)	-	-
Capitalized value of indexing of highest average salary (1986 - \$1,540)	1,580	-	(1,580)	-	-
Excess interest (1986 - \$31,276)	(27,680)	-	27,680	-	-
Pensions purchased from retirement annuity account (1986 - \$5,527)	5,610	(5,610)	-	-	-
Other	108	(112)	4	-	-
	18,660	(5,722)	(12,938)	-	-
NET INCREASE IN FUND BALANCE	281,456	8,559	41,825	331,840	304,674
FUND BALANCE AT BEGINNING OF YEAR	2,254,743	86,422	264,530	2,605,695	2,301,021
FUND BALANCE AT END OF YEAR	\$2,536,199	\$94,981	\$306,355	\$2,937,535	\$2,605,695

MUNICIPAL SUPERANNUATION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987

1. DESCRIPTION OF THE MUNICIPAL SUPERANNUATION PLAN

The following brief description of the plan is provided for general information only. For more complete information about the plan, reference should be made to the Pension (Municipal) Act.

a) General

The plan is a defined benefit pension plan, whereby benefits are not linked directly to contributions. The plan is open to eligible employees of a municipality, hospital, school district, regional college or other employer to which the Pension (Municipal) Act applies.

b) Contributions

Members contribute to the Basic Account 5% of salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings and 6-1/2% on earnings above that. Employers contribute to the Basic Account at varying rates depending upon the mix of employees in the group classifications specified by the plan. Members and employers also each contribute 1% of salary to the Inflation Adjustment Account which was created in 1980 to provide for the payment of inflation adjustment supplements. Some employers have special agreements with their employees by which both make extra contributions to increase the employees' pensions. These contributions plus employees' voluntary contributions are credited to the Retirement Annuity Account.

c) Retirement Benefits

Members are eligible for unreduced pensions if retirement is at normal retirement age as defined in the plan, or at an age within 5 years of normal retirement age with at least 10 years contributory service. Unreduced pensions are also available to members whose normal retirement age is 65, at age 55 with at least 35 years contributory service, or if the normal retirement age is 60, at age 50 with 30 years contributory service. Members who do not meet the above criteria are eligible for reduced pensions at an age 10 years under the normal retirement age with at least 10 years contributory service, or at 5 years under the normal retirement age with less than 10 years contributory service. Hospital employees must have a minimum of 10 years contributory service to be eligible for a pension.

The plan provides a pension of 1-3/4% of the highest 5-year average salary for each year of pensionable service credited prior to the date the employer enrolled in the plan, plus 2% of the highest 5-year average salary for each year after the date the employer enrolled. The maximum pensionable service allowable under the plan is 35 years. At age 65, or date of death or disability, if earlier, there is a reduction in the formula as a result of integration with the Canada Pension Plan.

The inflation adjustment supplements are provided each January 1st and are related to the annual increase in the Consumer Price Index (CPI) as at the previous September 30th. The increase is pro-rated if the capitalized value of the increases exceeds the funds available in the Inflation Adjustment Account. As there were sufficient funds available at January 1, 1987, a full CPI increase of 4.1% (4.1% in 1986) to the basic lifetime portion of the contributory superannuation allowances in force was provided. Sufficient funds were also available to provide a full CPI increase of 4.5% effective January 1, 1988.

MUNICIPAL SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1987

1. DESCRIPTION OF THE MUNICIPAL SUPERANNUATION PLAN (Continued)

d) Termination and Portability Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees with at least 10 years of contributory service who leave contributions in the Fund are entitled to deferred pension benefits. Terminating employees not withdrawing contributions may carry certain pension rights to other pension plans that have portability arrangements with the Municipal Superannuation Plan. New contributors may also, under portability arrangements, transfer contributions and service from other plans to provide for or to increase pension benefits under the Municipal Superannuation Plan.

e) Other Benefits

Disability and survivor benefits are available under the plan.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at December 31, 1987 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the superannuation plan. The results of the latest actuarial valuation of the plan are described in Note 7.

b) Investments

- (i) Short-term investments are carried at cost of acquisition.
- (ii) Units in Pooled Investment Portfolios are carried at the cost of acquisition adjusted by income attributed to the units. Income attributed to the units represents the Fund's share of investment income earned by the Portfolios and is realizable by the Fund upon the sale of the units.
- (iii) Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments.

c) Deferred Losses Less Gains on Sale of Investments

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

3. CHANGE IN ACCOUNTING POLICY

Prior to January 1, 1987, discounts and premiums on long-term investments were amortized on a straight line basis. Discounts and premiums are now amortized on the basis described in Note 2b(iii). This change in accounting policy has not been retroactively applied and comparative figures have not been restated due to the immaterial effect on the Fund balance.

As a result of this change, the Fund balance as at December 31, 1987 and income from investments for the year then ended have both been decreased by \$2,920,669.

MUNICIPAL SUPERANNUATION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987

4. INVESTMENTS

The book value of investments held at the end of the year was as follows:

	<u>1987</u>	<u>1986</u>
	(\$ Thousands)	
Short-term investments	\$ 241,602	\$ 784,157
Units in Province of British Columbia Pooled Investment Portfolios	759,760	-
Long-Term investments	<u>1,857,242</u>	<u>1,737,632</u>
	<u>\$ 2,858,604</u>	<u>\$ 2,521,789</u>

As at December 31, 1987, the market value of the units was \$761,028,936 (1986 - nil) and the market value of the long-term investments was \$1,800,418,293 (1986 - \$1,779,295,893).

5. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	<u>1987</u>	<u>1986</u>
	(\$ Thousands)	
Balance at beginning of year	\$ 10,202	\$ 15,789
Gains less losses on sale of investments	<u>1,155</u>	<u>4,391</u>
	9,047	11,398
Amortization for the year	<u>704</u>	<u>1,196</u>
Balance at end of year	<u>\$ 8,343</u>	<u>\$ 10,202</u>

6. TRANSFERS

The Basic Account is increased by the capitalized value of inflation adjustment supplements and pensions purchased from the Retirement Annuity Account and the capitalized value of the indexing of the highest average salary for employees electing deferred pensions during the year.

The Inflation Adjustment Account is increased by income that is earned on assets held in the Basic Account in respect of pensions being paid, and which is in excess of income calculated using the interest rate assumed by the Actuary.

7. ACTUARIAL VALUATION

According to the Pension (Municipal) Act, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary at intervals of not more than five years. The most recent valuation was carried out as at December 31, 1985 and indicated an unfunded liability of \$855,352,000 in respect of basic pension benefits. This represented an increase of \$154,898,000 since December 31, 1982, the date of the previous valuation, and arose mainly from interest charges on the unfunded liability.

MUNICIPAL SUPERANNUATION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987

7. Actuarial Valuation (Continued)

The Actuary stated that he did not see the unfunded liability as a threat to the continued payment of pensions to current and prospective pensioners, or to the financial health of the pension plan. He did, however, recommend that the statutory contribution rates be increased to at least those required under the level contribution method. This method expresses employer contributions as a constant percentage of future payrolls that, together with future employee contributions and investment earnings, will finance the benefits for a typical new entrant to the plan and, in addition, will maintain the unfunded liability as a constant percentage of future payrolls. To date the contribution rates have not been changed.

TEACHERS' PENSIONS FUND

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT


To the Commissioner of Teachers' Pensions, and

To the Minister of Government Management Services,
Province of British Columbia:

I have examined the statement of financial position of the Teachers' Pensions Fund as at December 31, 1987 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1987 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied, except for the change in the method of accounting for discounts and premiums on long-term investments as explained in note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Pension (Teachers) Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.



George L. Morfitt, F.C.A.
Auditor General

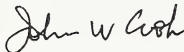
Victoria, British Columbia
June 30, 1988

TEACHERS' PENSIONS FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 1987

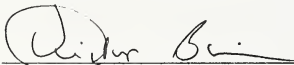
	<u>1987</u>	<u>1986</u>
	(\$ Thousands)	
ASSETS		
Cash	\$ 668	\$ 1,696
Contributions receivable	12,067	8,890
Accrued interest	39,989	44,886
Investments (Note 4)	2,174,954	1,925,172
Deferred losses less gains on sale of investments (Note 5)	<u>8,438</u>	<u>10,447</u>
	<u>\$ 2,236,116</u>	<u>\$ 1,991,091</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 949	\$ 1,023
FUND BALANCE		
Basic Account	2,012,103	1,792,095
Inflation Adjustment Account	<u>223,064</u>	<u>197,973</u>
	<u>2,235,167</u>	<u>1,990,068</u>
	<u>\$ 2,236,116</u>	<u>\$ 1,991,091</u>

The eight accompanying notes are an integral part of these financial statements.

APPROVED BY:



John W. Cook, F.C.I.A.,
Superannuation Commissioner, Trustee



Victor Barwin, C.A.,
Director, Finance, Superannuation Commission

TEACHERS' PENSIONS FUND
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 1987

	Basic Account	Inflation Adjustment Account	Totals	
			1987	1986
	(\$ Thousands)			
FUND BALANCE INCREASED BY				
Contributions				
Employees				
Current	\$ 59,363	\$ 10,636	\$ 69,999	\$ 66,798
Voluntary	42	-	42	89
Reinstatement	556	-	556	427
Leave of absence	442	72	514	475
Recognition of service	-	-	-	27
	60,403	10,708	71,111	67,816
Employers				
Paid by the Province of British Columbia on behalf of school districts				
Current	87,837	10,609	98,446	94,031
Recognition of service	-	-	-	27
Early Retirement Plan (Note 8)	2,939	-	2,939	-
Contributions by other employers				
Current	250	29	279	311
	91,026	10,638	101,664	94,369
Transfers from other funds	2,661	18	2,679	2,741
Income from investments	179,326	15,075	194,401	184,395
TOTAL INCREASE	333,416	36,439	369,855	349,321
FUND BALANCE DECREASED BY				
Superannuation allowance payments				
Contributory	93,054	-	93,054	84,908
Inflation adjustment supplements	24,089	-	24,089	20,706
	117,143	-	117,143	105,614
Refunds	5,161	594	5,755	5,923
Transfers to other funds	441	35	476	582
Administration and actuarial fees	819	-	819	897
Investment management fees	518	45	563	621
TOTAL DECREASE	124,082	674	124,756	113,637
NET INCREASE BEFORE TRANSFERS	209,334	35,765	245,099	235,684
TRANSFERS (NOTE 6)				
Capitalized value of inflation adjustment supplements granted (1986 - \$24,541)	38,951	(38,951)	-	-
Capitalized value of indexing of highest average salary (1986- \$1,300)	1,080	(1,080)	-	-
Excess Interest (1986 - \$31,494)	(29,355)	29,355	-	-
Other (1986 - Nil)	(2)	2	-	-
	10,674	(10,674)	-	-
NET INCREASE IN FUND BALANCE	220,008	25,091	245,099	235,684
FUND BALANCE AT BEGINNING OF YEAR	1,792,095	197,973	1,990,068	1,754,384
FUND BALANCE AT END OF YEAR	\$ 2,012,103	\$ 223,064	\$ 2,235,167	\$ 1,990,068

TEACHERS' PENSIONS FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987

1. DESCRIPTION OF THE TEACHERS' PENSIONS PLAN

The following brief description of the plan is provided for general information only. For more complete information about the plan, reference should be made to the Pension (Teachers) Act.

a) General

The plan is a defined benefit pension plan, whereby benefits are not linked directly to contributions. The plan is open to all certificated teachers and to superintendents or assistant superintendents appointed by a board of school trustees in the British Columbia public school system.

b) Contributions

Members contribute to the Basic Account 5.1% of salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings and 6.6% on earnings above that. The employers' rates are 7.8% and 9.3% respectively. Members and employers also each contribute 1% to the Inflation Adjustment Account which was created in 1980 to provide for the payment of inflation supplements.

c) Retirement Benefits

Members are eligible for unreduced pensions if retirement is at age 55 with a minimum of 35 years contributory service and at age 60 with a minimum of 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service.

The plan provides a pension of 2% of the highest 5-year average salary for each year of credited pensionable service prior to age 65. The maximum pensionable service allowable under the plan is 35 years. At age 65 or date of death or disability, if earlier, there is a reduction in the formula as a result of integration with the Canada Pension Plan.

The inflation adjustment supplements are provided each January 1st and are related to the annual increase in the Consumer Price Index (CPI) as at the previous September 30th. The increase is pro-rated if the capitalized value of the increases exceeds the funds available in the Inflation Adjustment Account. As there were sufficient funds available at January 1, 1987, a full CPI increase of 4.1% (1986-4.1%) to the basic lifetime portion of the contributory superannuation allowances in force was provided. Sufficient funds were also available to provide a full CPI increase of 4.5% effective January 1, 1988.

d) Termination and Portability Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees with at least 10 years of contributory service who leave contributions in the Fund are entitled to deferred pension benefits. Terminating employees not withdrawing contributions may carry certain pension rights to other pension plans that have portability arrangements with the Teachers' Pensions Plan. New contributors may also, under portability arrangements, transfer contributions and service from other plans to provide for or to increase pension benefits under the Teachers' Pensions Plan.

e) Other Benefits

Disability and survivor benefits are available under the plan.

TEACHERS' PENSIONS FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1987

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at December 31, 1987 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 7 below.

b) Investments

- (i) Short-term investments are carried at cost of acquisition.
- (ii) Units in Pooled Investment Portfolios are carried at the cost of acquisition adjusted by income attributed to the units. Income attributed to the units represents the Fund's share of investment income earned by the Portfolios and is realizable by the Fund upon the sale of the units.
- (iii) Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments.

c) Deferred Losses Less Gains on Sale of Investments

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

3. CHANGE IN ACCOUNTING POLICY

Prior to January 1, 1987, discounts and premiums on long-term investments were amortized on a straight line basis. Discounts and premiums are now amortized on the basis described in Note 2b(iii). This change in accounting policy has not been retroactively applied and comparative figures have not been restated due to the immaterial effect on the Fund balance.

As a result of this change, the Fund balance as at December 31, 1987 and income from investments for the year then ended have both been decreased by \$3,123,080.

4. INVESTMENTS

The book value of investments held at the end of the year was as follows:

	1987	1986
	<hr/>	<hr/>
	(\$ Thousands)	
Short-term investments	\$ 191,368	\$ 598,912
Units in Province of British Columbia Pooled Investment Portfolios	536,078	-
Long-term investments	1,447,508	1,326,260
	<hr/>	<hr/>
	\$ 2,174,954	\$ 1,925,172
	<hr/>	<hr/>

TEACHERS' PENSIONS FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1987

4. INVESTMENTS (Continued)

As at December 31, 1987, the market value of the units was \$537,141,675 (1986 - nil) and the market value of the long-term investments was \$1,410,702,105 (1986 - \$1,372,458,169).

5. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	1987	1986
	<u> </u>	<u> </u>
	(\$ Thousands)	
Balance at beginning of year	\$10,447	\$13,918
Gains less losses on sale of investments	867	2,189
	<u>9,580</u>	<u>11,729</u>
Amortization for the year	1,142	1,282
	<u>1,142</u>	<u>1,282</u>
Balance at end of year	<u>\$ 8,438</u>	<u>\$10,447</u>

6. TRANSFERS

The Basic Account is increased by the capitalized value of inflation adjustment supplements granted and the capitalized value of indexing of the highest average salary for employees electing deferred pensions during the year.

The Inflation Adjustment Account is increased by income that is earned on assets held in the Basic Account in respect of pensions being paid, and which is in excess of income calculated using the interest rate assumed by the Actuary.

7. ACTUARIAL VALUATION

According to the Pension (Teachers) Act, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary at intervals of not more than five years. The most recent valuation was carried out as at December 31, 1984 and indicated an unfunded liability of \$1,392,116,000 in respect of basic pension benefits. This represented an increase of \$372,846,000 since December 31, 1980, the date of the previous valuation, and arose mainly from interest charges on the unfunded liability.

The Actuary stated that he did not see the increase in the unfunded liability as a threat to the continued payment of pensions to current and prospective pensioners. He does, however, recommend that the statutory contribution rates be increased from their current maximum combined rate of 15.90% of total salaries to a maximum combined rate of 16.64% of total salaries. The contribution rates recommended by the Actuary were determined under the "level contribution" funding method. This method expresses employer contributions as a constant percentage of future payrolls that, together with future employee contributions and investment earnings, will finance the benefits for a typical new entrant to the plan and, in addition, will maintain the unfunded liability as a constant percentage of future payrolls. To date the contribution rates have not been changed.

TEACHERS' PENSIONS FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987

8. EARLY RETIREMENT PLAN

An amendment to the Pension (Teachers) Act in 1987 provided a "55 and Out" Early Retirement Plan for eligible teachers who retire during the period from April 1, 1987, to June 30, 1989.

The "55 and Out" Early Retirement Plan provides an incentive for teachers between the ages of 55 and 60 to retire early by removing the pension reduction of 5% for each year of early retirement under age 60. The Province has agreed to pay amounts to the Fund to offset the cost of this new plan provision. The Province will pay to the Fund each year the greater of the salary savings resulting from replacing the retiring teacher with a teacher paid at a lower salary or a fixed schedule of actuarially determined payments until such time as the full amount has been paid. For the year ended December 31, 1987, the Fund has received \$2,939,000 from the Province for the 198 teachers who elected to participate in this plan during the year.

COLLEGE PENSION FUND



Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

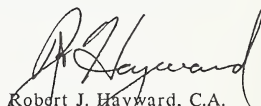
AUDITOR'S REPORT

To the Superannuation Commissioner, Trustee, and

To the Provincial Secretary and Minister of Government Services
Province of British Columbia:

I have examined the statement of financial position of the College Pension Fund as at 31 August 1987 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 August 1987 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.


Robert J. Hayward, C.A.
Acting Auditor General

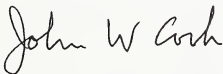
Victoria, British Columbia
11 December 1987

COLLEGE PENSION FUND
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 1987

	<u>1987</u>	<u>1986</u>
	(\$ Thousands)	
ASSETS		
Cash	\$ 221	\$ 514
Contributions receivable	1,100	1,103
Accrued interest	4,549	5,042
Investments (Note 3)	184,106	158,541
Deferred losses less gains on sale of investments (Note 4)	208	507
	<u>\$ 190,184</u>	<u>\$ 165,707</u>
	<u><u>\$ 190,184</u></u>	<u><u>\$ 165,707</u></u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 103	\$ 107
FUND BALANCE		
Basic Account	171,482	149,941
Inflation Adjustment Account	18,599	15,659
	<u>190,081</u>	<u>165,600</u>
	<u>\$ 190,184</u>	<u>\$ 165,707</u>
	<u><u>\$ 190,184</u></u>	<u><u>\$ 165,707</u></u>

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:



John W. Cook, F.C.I.A.,
Superannuation Commissioner, Trustee



Victor Barwin, C.A.,
Director, Finance, Superannuation Commission

COLLEGE PENSION FUND
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED AUGUST 31, 1987

	Basic Account	Inflation Adjustment Account	Totals	
			1987	1986
	(\$ Thousands)			
FUND BALANCE INCREASED BY				
Contributions				
Members				
Current	\$ 5,299	\$ 1,044	\$ 6,343	\$ 6,121
Voluntary	3	-	3	4
Arrears	68	-	68	37
	5,370	1,044	6,414	6,162
Employers				
Current	5,299	1,044	6,343	6,121
Arrears	68	-	68	37
	5,367	1,044	6,411	6,158
Transfers from other funds	-	-	-	2
Income from investments	14,243	1,386	15,629	14,631
TOTAL INCREASE	24,980	3,474	28,454	26,953
FUND BALANCE DECREASED BY				
Superannuation allowance payments				
Contributory	2,546	-	2,546	2,072
Inflation adjustment supplements	434	-	434	353
	2,980	-	2,980	2,425
Refunds	648	98	746	1,150
Transfers to other funds	27	5	32	113
Medical Plan premiums	33	-	33	28
Administration and actuarial fees	66	-	66	84
Investment management fees	105	11	116	116
TOTAL DECREASE	3,859	114	3,973	3,916
NET INCREASE BEFORE TRANSFERS	21,121	3,360	24,481	23,037
TRANSFERS (NOTE 5)				
Capitalized value of inflation adjustment supplements granted (\$537 - 1986)	958	(958)	-	-
Capitalized value of indexing of highest average salary (\$220 - 1986)	160	(160)	-	-
Excess Interest (\$857 - 1986)	(680)	680	-	-
Other (\$14 - 1986)	(18)	18	-	-
	420	(420)	-	-
NET INCREASE IN FUND BALANCE	21,541	2,940	24,481	23,037
FUND BALANCE AT BEGINNING OF YEAR	149,941	15,659	165,600	142,563
FUND BALANCE AT END OF YEAR	\$ 171,482	\$ 18,599	\$ 190,081	\$ 165,600

COLLEGE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1987

1. DESCRIPTION OF THE COLLEGE PENSION PLAN

The following brief description of the plan is provided for general information only. For more complete information about the plan, reference should be made to the Pension (College) Act.

a) General

The plan is a defined benefit pension plan, whereby benefits are not directly linked to contributions. The plan is open to full-time faculty members of a college or college council in British Columbia, other faculty members whose application has been approved by the employer, and full-time senior administrative employees who are required by the employer to become members. Full-time faculty members may apply within one month of date of appointment to be exempted from contributing to the plan.

b) Contributions

Members and employers each contribute to the Basic Account 4-1/2% of salary up to the year's maximum pensionable earnings and 6% of salary in excess of the year's maximum pensionable earnings. They also each contribute 1% to the Inflation Adjustment Account which was created in 1980 to provide for the payment of inflation adjustment supplements.

c) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 55 with a minimum of 35 years contributory service, at age 60 with a minimum of 10 years contributory service and at age 65 with less than 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service, and at age 60 with less than 10 years contributory service.

The plan provides for a pension of 2% of the highest 5-year average salary for each year of pensionable service (to a maximum of 35 years). At age 65, or date of death or disability, if earlier, there is a reduction in the formula as a result of integration with the Canada Pension Plan.

Increases in the inflation adjustment supplements are provided each January 1st and are related to the annual increase in the Consumer Price Index (CPI) as at the previous September 30th. The capitalized value of the increases shall not exceed the funds available in the Inflation Adjustment Account. At January 1, 1987 there were sufficient funds available to provide a full CPI increase of 4.1% (4.1% in 1986) to the basic lifetime portion of the contributory superannuation allowances in force.

d) Termination Benefits

A terminating member may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees who leave contributions in the Fund are entitled to deferred pension benefits. Terminating employees not withdrawing contributions may carry certain pension rights to other pension plans that have portability arrangements with the College Pension Plan. New contributors may also, under portability arrangements, transfer contributions and service from other plans to increase pension benefits under the College Pension Plan.

e) Other Benefits

Disability and survivor benefits are available under the plan.

COLLEGE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1987

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at August 31, 1987 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 6 below.

b) Investments

- (i) Short-term investments are carried at cost of acquisition.
- (ii) Units in Pooled Investment Portfolios are carried at the cost of acquisition adjusted by income attributed to the units. Income attributed to the units represents the Fund's share of investment income earned by the Portfolios and is realizable by the Fund upon the sale of the units.
- (iii) Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the bonds. Prior to September 1, 1986, amortization was on a straight-line basis. The effect of this change on these financial statements is insignificant.

c) Deferred Losses Less Gains on Sale of Investments

Gains and losses on disposal of long-term investments are deferred and amortized on a straight-line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

3. INVESTMENTS

Investments held at the end of the year are as follows:

	<u>1987</u>	<u>1986</u>
	(\$Thousands)	
	<u>Book Value</u>	<u>Book Value</u>
Short-term investments	\$ 42,407	\$101,329
Units in Province of British Columbia Pooled Investment Portfolios	19,881	-
Long-term investments	<u>121,818</u>	<u>57,212</u>
	<u>\$184,106</u>	<u>\$158,541</u>

At August 31, 1987, the market value of the Units in Pooled Investment Portfolios was \$19,828,000 (1986 Nil) and the market value of the long-term investments was \$115,449,000 (1986 \$58,621,000).

COLLEGE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1987

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	<u>1987</u>	<u>1986</u>
	(\$ Thousands)	
Balance at beginning of year	\$507	\$557
Gains less losses on sale of investments	278	-
	<u>229</u>	<u>557</u>
Amortization for the year	21	50
Balance at end of year	<u><u>\$208</u></u>	<u><u>\$507</u></u>

5. TRANSFERS

The Basic Account is increased by the capitalized value of inflation adjustment supplements and the capitalized value of the indexing of the highest average salary for members electing deferred pensions during the year.

The Inflation Adjustment Account is increased by income that is earned on assets held in the Basic Account in respect of pensions being paid, and is in excess of income calculated using the interest rate assumed by the Actuary.

6. ACTUARIAL VALUATION

According to the Pension (College) Act, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary upon request by the Superannuation Commissioner. The most recent valuation was carried out as at August 31, 1985. The valuation indicated an unfunded liability in respect of basic pension benefits of \$60,891,000 as of August 31, 1985, compared to \$45,422,000 as of August 31, 1981, the date of the previous valuation. The increase in the unfunded liability was caused mainly by inadequacies in the statutory contribution rates.

The actuaries stated that they did not see the increase in the unfunded liability as a threat to the continued payment of pensions to current and prospective pensioners nor to the financial health of the pension plan, provided the statutory contribution rates are increased from their current combined rate of 12% of total salaries to a combined rate at least 15.04% of total salaries.

The contribution level recommended by the actuaries was determined under a "level contribution" funding method. This method expresses employer contributions as a constant percentage of future payrolls that, together with future member contributions and investment earnings, will finance the benefits for a typical new entrant to the plan and, in addition, will maintain the unfunded liability as a constant percentage of future payrolls.

BC RAIL LTD. PENSION FUND



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Directors, BC Rail Ltd., and

To the Provincial Secretary and Minister of Government Services,
Province of British Columbia:

I have examined the statement of financial position of the BC Rail Ltd. Pension Fund as at December 31, 1987 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1987 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

A handwritten signature in dark ink, appearing to read "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

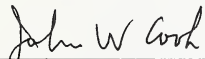
Victoria, British Columbia
March 25, 1988

BC RAIL LTD. PENSION FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 1987

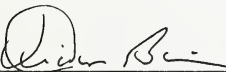
	<u>1987</u>	<u>1986</u>
	(\$ Thousands)	
ASSETS		
Cash	\$ 188	\$ 184
Contributions receivable	904	815
Accrued interest	2,760	3,703
Investments (Note 3)	175,474	152,792
Deferred losses less gains on sale of investments (Note 4)	278	336
	<u>\$ 179,604</u>	<u>\$ 157,830</u>
	<u><u>\$ 179,604</u></u>	<u><u>\$ 157,830</u></u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 54	\$ 34
FUND BALANCE		
Pension Fund Basic Account	179,067	157,338
Employee Voluntary Contributions Account	483	458
	<u>179,550</u>	<u>157,796</u>
	<u>\$ 179,604</u>	<u>\$ 157,830</u>
	<u><u>\$ 179,604</u></u>	<u><u>\$ 157,830</u></u>

The five accompanying notes are an integral part of these financial statements.

APPROVED BY:



John W. Cook, F.C.I.A.,
Superannuation Commissioner, Trustee



Victor Barwin, C.A., Director, Finance,
Superannuation Commission

BC RAIL LTD. PENSION FUND
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 1987

	<u>1987</u>	<u>1986</u>
	(\$ Thousands)	
FUND BALANCE INCREASED BY		
Employee contributions		
Current	\$ 4,777	\$ 4,574
Arrears and purchase of service	29	30
Voluntary	19	59
	<hr/> 4,825	<hr/> 4,663
Employer contributions		
Current	4,777	4,574
Arrears and purchase of service	37	21
	<hr/> 4,814	<hr/> 4,595
Income from investments	<hr/> 16,114	<hr/> 14,734
	<hr/> 25,753	<hr/> 23,992
FUND BALANCE DECREASED BY		
Pension payments	3,042	2,493
Refunds	858	1,068
Investment management fees	99	113
	<hr/> 3,999	<hr/> 3,674
NET INCREASE IN FUND BALANCE	<hr/> 21,754	<hr/> 20,318
FUND BALANCE AT BEGINNING OF YEAR	<hr/> 157,796	<hr/> 137,478
FUND BALANCE AT END OF YEAR	<hr/> <hr/> \$ 179,550	<hr/> <hr/> \$ 157,796

BC RAIL LTD. PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987

1. DESCRIPTION OF THE BC RAIL LTD. PENSION PLAN

The following brief description of the plan is provided for general information only. For more complete information, reference should be made to the plan.

a) General

The plan is a defined benefit pension plan, whereby benefits are not directly linked to contributions. All eligible employees are required to enrol and contribute.

b) Retirement Benefits

Members who have either reached age 65, or reached age 60 with at least 25 years of pensionable service, are eligible for unreduced pension benefits. Members are also eligible for unreduced pension benefits if they are between ages 55 and 59 inclusive and have completed 30 years of pensionable service. All other retiring members have a reduction formula applied to their pensions.

Members retiring on an unreduced pension receive an annual pension of 2% per year of pensionable service up to a maximum of 70% of the member's best 5 year average earnings of 10 consecutive years until age 65, when the pension is reduced as a result of integration with the Canada Pension Plan.

c) Termination Benefits

Terminating employees may take a refund of their contributions plus interest credited or leave contributions on deposit. Employees leaving contributions on deposit and having contributed to the Fund for a minimum of 5 years are entitled to a deferred pension benefit.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at December 31, 1987 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 5 below.

b) Investments

- (i) Short-term investments are carried at cost of acquisition.
- (ii) Units in Pooled Investment Portfolios are carried at the cost of acquisition adjusted by income attributed to the units. Income attributed to the units represents the Fund's share of investment income earned by the Portfolios and is realizable by the Fund upon the sale of the units.
- (iii) Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments. Prior to January 1, 1987, amortization was on a straight-line basis. The effect of this change on these financial statements is insignificant.

BC RAIL LTD. PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Deferred Losses Less Gains on Sale of Investments

Gains and losses on disposal of long-term investments are deferred and amortized on a straight-line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is included in income from investments.

3. INVESTMENTS

The book value of investments held at the end of the year was as follows:

	<u>1987</u>	<u>1986</u>
	(\$Thousands)	
Short-term investments	\$ -	\$ 42,513
Units in Province of British Columbia Pooled Investment Portfolios	56,916	-
Long-term investments	<u>118,558</u>	<u>110,279</u>
	<u>\$175,474</u>	<u>\$152,792</u>

At December 31, 1987, the market value of the units was \$56,876,500 (1986 Nil) and the market value of the long-term investments was \$117,106,000 (1986 \$115,464,000).

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	<u>1987</u>	<u>1986</u>
	(\$ Thousands)	
Balance at beginning of year	\$ 336	\$ 326
Net gains on sale of investments	<u>80</u>	<u>2</u>
	256	324
Amortization for the year	<u>22</u>	<u>12</u>
Balance at end of year	<u>\$ 278</u>	<u>\$ 336</u>

5. ACTUARIAL VALUATION

According to the articles of the BC Rail Ltd. Pension Plan, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary at least once every three years. The most recent valuation was carried out as at May 31, 1986. The valuation disclosed that the Fund had a funding excess of \$10,399,000 (May 31, 1984 \$7,983,000 funding excess).

BC RAIL LTD. PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987

5. ACTUARIAL VALUATION (Continued)

Effective October 1, 1987 improvements were made to the benefits of the pension plan. Past service costs of these improvements reduced but did not eliminate the funding excess. Based on the current actuarial valuation future service costs will be funded by additional employer contributions and amortization of the remaining funding excess. Employees continue to contribute at an effective rate of 5% of covered payroll. BC Rail Ltd., effective January 1, 1988, will contribute at 5.4% of covered payroll. For the period January 1, 1986 through December 31, 1987 BC Rail Ltd., on the recommendation of its Actuary, matched employee contributions.

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Directors, British Columbia Hydro and Power Authority, and

To the Provincial Secretary and Minister of Government Services
Province of British Columbia:

I have examined the statement of financial position of the British Columbia Hydro and Power Authority Pension Fund as at December 31, 1987 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1987 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the British Columbia Hydro and Power Authority Pension Plan. In my opinion, these transactions were, in all significant respects, in compliance with the Plan.

A handwritten signature in cursive script, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
March 25, 1988

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND

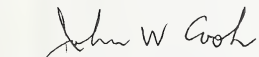
STATEMENT OF FINANCIAL POSITION

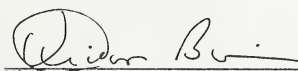
AS AT DECEMBER 31, 1987

	<u>1987</u>	<u>1986</u>
	(\$ Thousands)	
ASSETS		
Cash	\$ 354	\$ 460
Contributions receivable	1,051	4,422
Accrued interest	9,703	14,097
Investments (Note 3)	<u>625,487</u>	<u>567,563</u>
	<u>\$ 636,595</u>	<u>\$ 586,542</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 154	\$ 184
Deferred gains less losses on sale of investments (Note 4)	<u>1,533</u>	<u>1,501</u>
	<u>1,687</u>	<u>1,685</u>
FUND BALANCE		
Pension Account - amount available for payment of basic pensions in effect	207,281	192,699
Employer Matching Contributions Account	180,677	162,108
Employee Compulsory Contributions Account	180,677	162,108
Additional Voluntary Contributions Account	1,267	1,553
Reserve Account	(5,405)	6,731
Index Pension Account - amount available for payment of index pensions in effect	50,491	39,835
Index Reserve Account	19,898	19,796
Unclaimed Monies Account	<u>22</u>	<u>27</u>
	<u>634,908</u>	<u>584,857</u>
	<u>\$ 636,595</u>	<u>\$ 586,542</u>

The eight accompanying notes are an integral part of these financial statements.

APPROVED BY:


 John W. Cook, F.C.I.A.,
 Superannuation Commissioner


 Victor Barwin, C.A.,
 Director, Finance, Superannuation Commission

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND

STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 1987

	Pension Account	Employer Contri- butions Account	Compulsory Contri- butions Account	Voluntary Contri- butions Account	Reserve Account	Index Pension Account	Index Reserve Account	Unclaimed Monies Account	Totals
									1987 1986
FUND BALANCE INCREASED BY									
Contributions	\$ -	\$ 9,201	\$ 9,201	\$ 31	\$ -	\$ -	\$ 3,941	\$ -	\$ 22,374 \$ 22,892
Reinstatements	-	70	70	-	(70)	-	-	-	70 258
Clause 12 contributions	-	6	-	-	-	-	-	-	6 3
Actuarial deficiency receipts (Note 5)	-	-	-	-	3,061	-	-	-	3,061 3,061
Index pensions additional (Note 5)	-	-	-	-	-	-	1,194	-	1,194 1,194
BC Transit indexing receipts (Note 6)	-	-	-	-	-	563	-	-	563 556
Transfers from other funds	-	-	-	-	32	-	-	-	32 78
Income from investments	14,455	16,933	16,933	132	4,083	3,265	2,737	-	58,538 56,712
	14,455	26,210	26,204	163	7,106	3,828	7,872	-	85,838 84,754
FUND BALANCE DECREASED BY									
Basic pension payments	24,934	-	-	-	-	-	-	-	24,934 23,330
Index pension payments	-	-	-	-	-	7,361	-	-	7,361 6,532
Refunds	-	2,140	2,140	442	(2,140)	-	354	5	2,941 4,757
Transfers to other funds	-	103	103	-	-	-	25	-	231 263
Administration and investment fees	-	-	-	-	320	-	-	-	320 325
	24,934	2,243	2,243	442	(1,820)	7,361	379	5	35,787 35,207
NET INCREASE (DECREASE)									
BEFORE TRANSFERS	(10,479)	23,967	23,961	(279)	8,926	(3,533)	7,493	(5)	50,051 49,547
TRANSFERS (Note 7)									
Capitalized value of new pensions	21,260	(5,398)	(5,398)	(1)	(10,463)	-	-	-	- -
Excess interest	-	-	-	-	(7,026)	460	6,566	-	- -
Capitalized value of index increases	-	-	-	-	-	8,687	(10,355)	-	- -
Actuarial insufficiencies (Note 5)	3,801	-	-	-	(5,241)	5,042	(3,602)	-	- -
Other	-	-	6	(6)	-	-	-	-	- -
NET INCREASE (DECREASE) IN									
FUND BALANCE	14,582	18,569	18,569	(286)	(12,136)	10,656	102	(5)	50,051 49,547
FUND BALANCE AT BEGINNING									
OF YEAR	192,699	162,108	162,108	1,553	6,731	39,835	19,796	27	584,857 535,310
FUND BALANCE AT END OF YEAR	\$ 207,281	\$ 180,677	\$ 180,677	\$ 1,267	\$ (5,405)	\$ 50,491	\$ 19,898	\$ 22	\$ 634,908 \$ 584,857

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1987

1. DESCRIPTION OF THE BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION PLAN

The following brief description of the plan is provided for general information only. For more complete information, reference should be made to the plan.

a) General

The plan is a defined benefit pension plan, whereby benefits are not directly linked to contributions. Membership is mandatory for all regular employees of the Authority.

b) Contributions

Members and the Authority each contribute to the Contributory Accounts 5.15% of salary. They also each contribute 1.10% of salary to the Index Reserve Account.

c) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 55 or later with a minimum of 35 years of contributory service, or at age 60 or later with less than 35 years contributory service providing the member makes required plan contributions. Reduced pensions are available at age 50 with a minimum of 10 years contributory service and a requirement that age plus service total 65 or more, and at age 55 with less than 35 years of contributory service.

The plan provides a pension of 2% per year of pensionable service prior to age 65, up to a maximum of 70% of the average plan earnings in the five highest earnings years before retirement.

Increases in the index pension payments are provided each January 1st and are related to the annual increase in the Consumer Price Index (CPI) as at the previous September 30th. These increases will be limited to a lesser amount if the funds available are insufficient to provide the full amount of the increase in the CPI. As at January 1, 1988, there were sufficient funds available to provide the full CPI increase of 4.501% (4.141% in 1987).

d) Termination Benefits

Terminating employees may take a refund of their contributions plus interest credited or leave contributions on deposit. Employees leaving contributions on deposit and having contributed to the Fund for a minimum of 10 years are entitled to a deferred pension benefit.

e) Other Benefits

Disability and survivor benefits are available under the plan.

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1987

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at December 31, 1987 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 5 below.

b) Investments

- (i) Short-term investments are carried at cost of acquisition.
- (ii) Units in Pooled Investment Portfolios are carried at the cost of acquisition adjusted by income attributed to the units. Income attributed to the units represents the Fund's share of investment income earned by the Portfolios and is realizable by the Fund upon the sale of the units.
- (iii) Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments. Prior to January 1, 1987, amortization was on a straight-line basis. The effect of this change on these financial statements is insignificant.

c) Deferred Losses Less Gains on Sale of Investments

Gains and losses on disposal of long-term investments are deferred and amortized on a straight-line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

3. INVESTMENTS

The book value of investments held at the end of the year was as follows:

	<u>1987</u>	<u>1986</u>
	(\$Thousands)	
Short-term investments	\$ 6,010	\$163,554
Units in Province of British Columbia Pooled Investment Portfolios	196,620	-
Long-term investments	<u>422,857</u>	<u>404,009</u>
	<u>\$625,487</u>	<u>\$567,563</u>

At December 31, 1987, the market value of the units was \$196,230,000 (1986 Nil) and the market value of the long-term investments was \$411,752,000 (1986 \$417,803,000).

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1987

4. DEFERRED GAINS LESS LOSSES ON SALE OF INVESTMENTS

	<u>1987</u>	<u>1986</u>
	(\$ Thousands)	
Balance at beginning of year	\$1,501	\$ 688
Net gains on sale of investments	560	1,117
	<u>2,061</u>	<u>1,805</u>
Amortization for the year	528	304
Balance at end of year	<u><u>\$1,533</u></u>	<u><u>\$1,501</u></u>

5. ACTUARIAL VALUATION

According to the British Columbia Hydro and Power Authority Pension Plan an actuarial valuation of the assets and liabilities of the Fund is required to be made by an actuary every three years.

The most recent valuation was carried out as at December 31, 1986, and indicated an unfunded actuarial liability in the plan of \$8,400,000 (December 31, 1985 - \$16,700,000). This amount includes actuarially determined liabilities resulting from the indexing benefit formula which existed prior to 1982.

The Authority is making special payments to the Fund of \$3,061,000 per annum until March 31, 2000. In addition, the Authority is making payments of \$1,194,000 per annum until 1997 in respect of the indexing liabilities referred to above.

The decrease in the unfunded liability is primarily attributed to net gains in experience items, offset by an increase due to the use of the accrued benefit method of valuing pension liabilities, rather than the attained age method used in previous valuations.

The Actuarial Report as at December 31, 1986 identified that insufficiencies existed in the Pension and Index Pension Accounts. Upon recommendation of the Actuary, transfers were made from the Reserve Account and the Index Reserve Account to the Index Pension Account and the Pension Account.

6. BC TRANSIT INDEXING RECEIPTS

Urban passenger transportation services were transferred from British Columbia Hydro and Power Authority to BC Transit (formerly Metro Transit Operating Company) as of April 1, 1980. As part of the settlement, BC Transit transfers cash to the Fund to cover the cost of index pension payments made to former urban passenger transportation services contributors granted pensions after separation and paid by the Fund.

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1987

7. TRANSFERS

a) Capitalized Value of New Pensions

When a member goes on pension, the monies contributed plus interest credited are transferred from the Contributory Accounts to the Pension Account. If the amounts to be transferred are less than the capitalized value of the pension, the deficiency is transferred from the Reserve Account to the Pension Account.

b) Excess Interest

The Index Reserve Account is increased by income that is earned on investments held in the Fund in respect of the amount committed to the payment of basic and index pensions out of the Fund and which is in excess of the income calculated using the interest rate assumed by the actuary.

c) Capitalized Value of Index Increases

The capitalized value of the annual increase in the index pension payments is transferred to the Index Pension Account and Reserve Account from the Index Reserve Account.

8. SUBSEQUENT EVENTS

a) Integration of Predecessor Plans

An Order-in-Council dated March 16, 1988 gave the British Columbia Hydro and Power Authority approval to make the regulations to integrate eight predecessor plans into the British Columbia Hydro and Power Authority Plan effective March 31, 1988. The Plan will assume all assets and liabilities of the predecessor plans and pay out benefits to members of these plans. The total book value of the assets to be integrated into the Plan amounted to \$92,800,000 as at March 31, 1988. An actuarial valuation is being undertaken as at March 31, 1988 to determine the effect on the Plan of this integration.

b) Early Retirement Incentive Plan

British Columbia Hydro and Power Authority offered an early retirement incentive program to employees. Approximately 500 employees took advantage of this program which expired March 31, 1988. The capitalized value of the new pensions will be reflected by transfers to the Pension Account of \$41,100,000 from the Contributory Accounts and \$34,600,000 from the Reserve Account and by a transfer to the Index Pension Account of \$4,600,000 from the Index Reserve Account. The net effect to the Fund will be to increase basic pension benefits by about \$9,200,000 per year. The Authority will be contributing to the Fund, a lump sum payment to fund the waiver of the Plan's early retirement reduction formula for employees retiring before age 60. That payment will be determined by the actuarial valuation noted above.

BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Directors, British Columbia Hydro and Power Authority, and

To the Provincial Secretary and Minister of Government Services,
Province of British Columbia:

I have examined the statement of financial position of the British Columbia Power Commission Superannuation Fund as at December 31, 1987 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1987 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the British Columbia Power Commission Superannuation Plan. In my opinion, these transactions were, in all significant respects, in compliance with the Plan.

A handwritten signature in cursive script, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
March 18, 1988

BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND


STATEMENT OF FINANCIAL POSITION

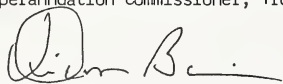
AS AT DECEMBER 31, 1987

	<u>1987</u>	<u>1986</u>
	(\$ Thousands)	
ASSETS		
Cash	\$ 41	\$ -
Contributions receivable	6	5
Accrued interest	453	734
Investments (Note 3)	29,567	29,251
Deferred losses less gains on sale of investments (Note 4)	261	308
	<u>\$ 30,328</u>	<u>\$ 30,298</u>
LIABILITIES		
Bank overdraft	\$ -	\$ 130
Accounts payable and accrued liabilities	12	78
	<u>12</u>	<u>208</u>
FUND BALANCE		
Contributory Pensions Account	12,612	10,966
Special Reserve Account (Note 5)	15	186
Undistributed Interest Account	10,263	11,015
Members and Employees Contributory Account	3,619	3,843
Members and Employees Voluntary Account	187	235
Employer Contributory Account	3,619	3,843
Unclaimed Monies Account	1	2
	<u>30,316</u>	<u>30,090</u>
	<u>\$ 30,328</u>	<u>\$ 30,298</u>

The seven accompanying notes are an integral part of these financial statements.

APPROVED BY:


 John W. Cook, F.C.I.A.,
 Superannuation Commissioner, Trustee


 Victor Barwin, C.A.,
 Director, Finance, Superannuation Commission

BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 1987

	Contributory Pensions Account	Special Reserve Account	Undistributed Interest Account	Members and Employees Contributory Account	Members and Employees Voluntary Account	Employer Contributory Account	Unclaimed Monies Account	Totals	
								1987	1986
(\$ Thousands)									
FUND BALANCE INCREASED BY									
Employer contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ -	\$ 10	\$ 10
Employee contributions	-	-	-	10	-	-	-	10	10
Income from investments	551	-	1,514	181	10	181	-	2,437	2,517
	551	-	1,514	191	10	191	-	2,457	2,537
FUND BALANCE DECREASED BY									
Superannuation allowance payments									
Contributory	1,240	-	-	-	-	-	-	1,240	1,167
Supplemental	-	-	859	-	-	-	-	859	801
Refunds	-	(15)	-	15	58	15	1	74	35
Transfers to other funds	-	-	-	16	-	16	-	32	53
Administration fees	-	-	18	-	-	-	-	18	11
Investment management fees	-	-	8	-	-	-	-	8	10
	1,240	(15)	885	31	58	31	1	2,231	2,077
NET INCREASE (DECREASE)									
BEFORE TRANSFERS	(689)	15	629	160	(48)	160	(1)	226	460
TRANSFERS									
Capitalized value of new pensions	768	-	-	(384)	-	(384)	-	-	-
Actuarial Deficiency (Note 5)	1,567	(186)	(1,381)	-	-	-	-	-	-
	2,335	(186)	(1,381)	(384)	-	(384)	-	-	-
NET INCREASE (DECREASE) IN FUND BALANCE									
	1,646	(171)	(752)	(224)	(48)	(224)	(1)	226	460
FUND BALANCE AT BEGINNING OF YEAR									
	10,966	186	11,015	3,843	235	3,843	2	30,090	29,630
FUND BALANCE AT END OF YEAR									
	\$ 12,612	\$ 15	\$ 10,263	\$ 3,619	\$ 187	\$ 3,619	\$ 1	\$ 30,316	\$ 30,090

BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1987

1. DESCRIPTION OF THE BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION PLAN

The following brief description of the plan is provided for general information only. For more complete information, reference should be made to the plan.

a) General

The plan is a defined benefit plan, whereby benefits are not directly linked to contributions, except that certain benefit options are calculated by reference to the "money purchase" tables. Members of the plan are generally former employees of the British Columbia Power Commission, which became a part of British Columbia Hydro and Power Authority at its inception in 1962. Most of these members have deferred pension rights.

b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 50 and the sum of the member's age and years of service is not less than 65.

The "half to the widow" benefit option is calculated on the 2% formula, while guarantee and joint life options are calculated on the money purchase formula.

The 2% formula is based on 2% per year of service up to a maximum of 70% of the average salary earned in any consecutive period of 10 years during which the salary was highest, up to a maximum superannuation allowance of \$625 per month. There is a reduction in the formula pension at age 65 as a result of integration with the Canada Pension Plan.

The money purchase formula is based on the total amount of the member's contributions, the matching employer contributions, plus the accumulated interest on these contributions.

Members entitled to receive a superannuation allowance may be paid supplemental allowances as authorized by the Directors of the British Columbia Hydro and Power Authority. Such payments may not be authorized unless the actuarially determined lump sum value of such payment is less than the balance in the Undistributed Interest Account.

c) Termination Benefits

Terminating employees may take a refund of their contributions plus interest credited or leave contributions on deposit. Employees leaving contributions on deposit and having contributed to the Fund for a minimum of 5 years are entitled to a deferred pension benefit.

d) Other Benefits

Disability and survivor benefits are available under the plan.

BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1987

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at December 31, 1987 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the superannuation plan. The results of the latest actuarial valuation of the plan are described in Note 5 below.

b) Investments

- (i) Short-term investments are carried at cost of acquisition.
- (ii) Units in Pooled Investment Portfolios are carried at the cost of acquisition adjusted by income attributed to the units. Income attributed to the units represents the Fund's share of investment income earned by the Portfolios and is realizable by the Fund upon the sale of the units.
- (iii) Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments. Prior to January 1, 1987, amortization was on a straight-line basis. The effect of this change on these financial statements is insignificant.

c) Deferred Losses Less Gains on Sale of Investments

Gains and losses on disposal of long-term investments are deferred and amortized on a straight-line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

3. INVESTMENTS

The book value of investments held at the end of the year was as follows:

	<u>1987</u>	<u>1986</u>
	(\$Thousands)	
Short-term investments	\$ 5,451	\$ 8,002
Units in Province of British Columbia Pooled Investment Portfolios	3,491	-
Long-term investments	<u>20,625</u>	<u>21,249</u>
	<u>\$ 29,567</u>	<u>\$ 29,251</u>

At December 31, 1987, the market value of the units was \$3,500,000 (1986 Nil) and the market value of the long-term investments was \$18,521,000 (1986 \$20,334,000).

BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1987

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	<u>1987</u>	<u>1986</u>
	(\$ Thousands)	
Balance at beginning of year	\$ 308	\$ 330
Net losses (gains) on sale of investments	(4)	25
	<u>304</u>	<u>355</u>
Amortization for the year	43	47
Balance at end of year	<u>\$ 261</u>	<u>\$ 308</u>

5. ACTUARIAL VALUATION

According to the regulations applicable to the Fund, an actuarial valuation of the sufficiency of the Special Reserve Account of the Fund is to be made by an Actuary every three years. The most recent valuation was carried out as at December 31, 1986. According to this valuation, the consulting actuaries concluded that there were no employees who were expected to benefit from the Special Reserve and recommended that the Special Reserve Account be reduced to nil. Upon the Actuary's recommendation, a transfer of \$186,405 was made from the Special Reserve Account to the Undistributed Interest Account.

The actuarial valuation also indicated a deficiency of \$1,492,500 in the Contributory Pensions Account as at December 31, 1986. Upon the Actuary's recommendation, a transfer of \$1,492,500 plus prescribed interest for a total of \$1,567,125 was made from the Undistributed Interest Account to the Contributory Pensions Account.

6. ESTIMATED PRESENT VALUE OF PENSIONS IN FORCE

Pursuant to Regulation No. 6 of the British Columbia Hydro and Power Authority Act, the Commission has estimated the present value of the 540 pensions in force as at December 31, 1987 (1986 - 516) at \$18,595,000, (1986 - \$17,899,000). This comprises \$11,085,000 (1986 - \$10,771,000) with respect to the basic component and \$7,510,000 (1986 - \$7,128,000) with respect to the supplemental allowances which are charged, when paid, to the Undistributed Interest Account.

7. SUBSEQUENT EVENT

An Order-in-Council dated March 16, 1988 gave the British Columbia Hydro and Power Authority the approval to make regulations to integrate the British Columbia Power Commission Superannuation Plan into the British Columbia Hydro and Power Authority Pension Plan effective March 31, 1988. The new integrated Plan will assume all assets and liabilities of the British Columbia Power Commission Superannuation Plan and will pay out benefits to the members of this Plan.

**PROVINCE OF BRITISH COLUMBIA
POOLED INVESTMENT PORTFOLIO, FUND ST1**



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have examined the statement of assets and the statement of investments of the Province of British Columbia Pooled Investment Portfolio, Fund ST1, as at March 31, 1988 and the statement of changes in assets for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Portfolio as at March 31, 1988 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with Section 36 of the Financial Administration Act. In my opinion, these transactions were, in all significant respects, in compliance with the authority specified.

A handwritten signature in dark ink, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 21, 1988

EXHIBIT A

PROVINCE OF BRITISH COLUMBIA
 POOLED INVESTMENT PORTFOLIO
 FUND ST1
 STATEMENT OF ASSETS
 AS AT MARCH 31, 1988
 (thousands of dollars)

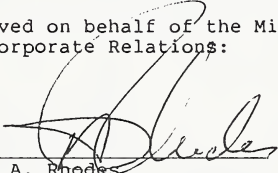
	<u>1988</u>	<u>1987</u>
Investments at market value (amortized cost \$295,724; 1987 - \$278,661)	\$295,726	\$278,660
Accrued interest	-	6
Total assets	<u>\$295,726</u>	<u>\$278,666</u>

Represented by:

Unitholders' equity (note 3) 259.58 units outstanding (1987 - 266.09 units)	<u>\$295,726</u>	<u>\$278,666</u>
Asset value per unit	<u>\$ 1,139</u>	<u>\$ 1,047</u>

The four accompanying notes are an integral part of these financial statements.

Approved on behalf of the Minister of Finance
 and Corporate Relations:


 Frank A. Rhodes
 Deputy Minister
 Ministry of Finance and
 Corporate Relations

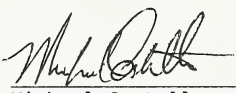

 Michael Costello
 Assistant Deputy Minister
 Provincial Treasury
 Ministry of Finance and
 Corporate Relations

EXHIBIT B

PROVINCE OF BRITISH COLUMBIA
 POOLED INVESTMENT PORTFOLIO
 FUND ST1
 STATEMENT OF CHANGES IN ASSETS
 FOR THE YEAR ENDED MARCH 31, 1988
 (thousands of dollars)

	<u>1988</u>	Period April 21, 1986 to <u>March 31, 1987</u>
Assets at the beginning of the year	\$ 278,666	\$ -
Proceeds from units issued	4,445,500	2,696,832
Cost of units redeemed	(4,448,867)	(2,428,840)
	<u>275,299</u>	<u>267,992</u>
Interest income	20,434	10,672
Realized gain (loss) on sale of investments	(10)	3
Increase (decrease) in unrealized appreciation in the market value of investments	3	(1)
Assets at the end of the year	<u>\$ 295,726</u>	<u>\$ 278,666</u>

EXHIBIT C

PROVINCE OF BRITISH COLUMBIA
 POOLED INVESTMENT PORTFOLIO
 FUND ST1
 STATEMENT OF INVESTMENTS
 AS AT MARCH 31, 1988
 (thousands of dollars)

	1988		1987
	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Market Value</u>
Obligations of, or guaranteed by, Canada	\$ 28,877	\$ 28,878	\$188,353
Obligations of the Province of British Columbia	24,839	24,839	22,234
Obligations of, or guaranteed by, savings institutions	191,461	191,461	68,073
Obligations of, or guaranteed by, other Provinces	50,547	50,548	-
	<u>\$295,724</u>	<u>\$295,726</u>	<u>\$278,660</u>

PROVINCE OF BRITISH COLUMBIA
POOLED INVESTMENT PORTFOLIO
FUND ST1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1988

1. The Portfolio

The Financial Administration Act, Section 36, subsection 9(a) authorizes the Minister of Finance and Corporate Relations to establish and operate pooled investment portfolios "...in which money from special funds, trust funds, other funds, other public money and money of government bodies may be combined in common for the purpose of investment." This Portfolio was established by the Minister on April 21, 1986.

The Portfolio consists of investments, authorized by Section 36, subsection 10 of the Financial Administration Act, which are generally held for terms of one month or less.

Participation in the Portfolio is expressed in units, each unit giving its holder a proportionate share in the net equity. Unitholders may purchase and sell units daily at market value. The value of a unit is determined by dividing the market value of the net assets of the Portfolio by the total number of units outstanding.

2. Significant accounting policies

a) Investments

Investments are carried at market value, as derived from external market quotations.

b) Investment transactions

Investment transactions are accounted for on the trade date basis. Realized gains and losses are calculated based on amortized cost. The amortized cost of investments is the average cost of acquisition adjusted by amortization of discounts. Discounts are amortized on a constant yield basis over the terms of the investments.

PROVINCE OF BRITISH COLUMBIA
 POOLED INVESTMENT PORTFOLIO
 FUND ST1
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 1988

3. Unitholders' equity

There is no limitation on the number of Portfolio units available for issue. The following is a summary of the changes in units outstanding during the year.

	<u>1988</u>	<u>1987</u>
Outstanding at the beginning of the year	266.09	-
Issued	4,071.49	2,652.71
Redeemed	(4,078.00)	(2,386.62)
Outstanding at the end of the year	<u>259.58</u>	<u>266.09</u>

4. Related party transactions

Investment transactions include purchases, at market value, of securities issued by the Province of British Columbia and its Crown corporations, some of which are unitholders in the Portfolio. Exhibit C contains amounts of such holdings as at March 31, 1988.

**PROVINCE OF BRITISH COLUMBIA
POOLED INVESTMENT PORTFOLIO, FUND ST2**



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have examined the statement of assets and the statement of investments of the Province of British Columbia Pooled Investment Portfolio, Fund ST2, as at March 31, 1988 and the statement of changes in assets for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Portfolio as at March 31, 1988 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with Section 36 of the Financial Administration Act. In my opinion, these transactions were, in all significant respects, in compliance with the authority specified.

A handwritten signature in dark ink, appearing to read "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 21, 1988


EXHIBIT A

PROVINCE OF BRITISH COLUMBIA
 POOLED INVESTMENT PORTFOLIO
 FUND ST2
 STATEMENT OF ASSETS
 AS AT MARCH 31, 1988
 (thousands of dollars)

	<u>1988</u>	<u>1987</u>
Investments at market value (amortized cost \$3,696,169; 1987 - \$525,499)	\$3,697,957	\$ 527,240
Accrued interest	10	96
Total assets	<u>\$3,697,967</u>	<u>\$ 527,336</u>
Represented by:		
Unitholders' equity (note 3) 3,253.53 units outstanding (1987 - 501.76 units)	<u>\$3,697,967</u>	<u>\$ 527,336</u>
Asset value per unit	<u>\$ 1,137</u>	<u>\$ 1,051</u>

The four accompanying notes are an integral part
 of these financial statements.

Approved on behalf of the Minister of Finance
 and Corporate Relations:


 Frank A. Rhodes
 Deputy Minister
 Ministry of Finance and
 Corporate Relations



 Michael Costello
 Assistant Deputy Minister
 Provincial Treasury
 Ministry of Finance and
 Corporate Relations

EXHIBIT B

PROVINCE OF BRITISH COLUMBIA
 POOLED INVESTMENT PORTFOLIO
 FUND ST2
 STATEMENT OF CHANGES IN ASSETS
 FOR THE YEAR ENDED MARCH 31, 1988
 (thousands of dollars)

	<u>1988</u>	Period Sept 19, 1986 to <u>March 31, 1987</u>
Assets at the beginning of the year	\$ 527,336	\$ -
Proceeds from units issued	3,619,929	717,248
Cost of units redeemed	(631,757)	(205,733)
	<hr/> 3,515,508	<hr/> 511,515
Interest income	181,982	13,941
Realized gain on sale of investments	430	139
Increase in unrealized appreciation in the market value of investments	47	1,741
	<hr/>	<hr/>
Assets at the end of the year	<u>\$3,697,967</u>	<u>\$ 527,336</u>

EXHIBIT C

PROVINCE OF BRITISH COLUMBIA
 POOLED INVESTMENT PORTFOLIO
 FUND ST2
 STATEMENT OF INVESTMENTS
 AS AT MARCH 31, 1988
 (thousands of dollars)

	1988		1987
	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Market Value</u>
Obligations of, or guaranteed by, Canada	\$2,036,686	\$2,037,311	\$231,238
Obligations of the Province of British Columbia	201,762	201,806	-
Obligations of, or guaranteed by, other Provinces	400,017	399,988	28,120
Obligations of, or guaranteed by, savings institutions	1,057,704	1,058,852	254,547
Obligations of a Crown corporation guaranteed by the Province of British Columbia	-	-	8,130
Commercial paper issued by a corporation incorporated under the laws of Canada or a Province	-	-	5,205
	<u>\$3,696,169</u>	<u>\$3,697,957</u>	<u>\$527,240</u>

PROVINCE OF BRITISH COLUMBIA
POOLED INVESTMENT PORTFOLIO
FUND ST2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1988

1. The Portfolio

The Financial Administration Act, Section 36, subsection 9(a) authorizes the Minister of Finance and Corporate Relations to establish and operate pooled investment portfolios "...in which money from special funds, trust funds, other funds, other public money and money of government bodies may be combined in common for the purpose of investment." This Portfolio was established by the Minister on September 19, 1986.

The Portfolio consists of investments, authorized by Section 36, subsection 10, of the Financial Administration Act, which are generally held for terms of one year or less.

Participation in the Portfolio is expressed in units, each unit giving its holder a proportionate share in the net equity. Unitholders may purchase and sell units daily at market value. The value of a unit is determined by dividing the market value of the net assets of the Portfolio by the total number of units outstanding.

2. Significant accounting policies

a) Investments

Investments are carried at market value, as derived from external market quotations.

b) Investment transactions

Investment transactions are accounted for on the trade date basis. Realized gains and losses are calculated based on amortized cost. The amortized cost of investments is the average cost of acquisition adjusted by amortization of discounts and premiums. Discounts and premiums are amortized on a constant yield basis over the terms of the investments.

PROVINCE OF BRITISH COLUMBIA
 POOLED INVESTMENT PORTFOLIO
 FUND ST2
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 1988

3. Unitholders' equity

There is no limitation on the number of Portfolio units available for issue. The following is a summary of the changes in units outstanding during the year.

	<u>1988</u>	<u>1987</u>
Outstanding at the beginning of the year	501.76	-
Issued	3,328.66	702.37
Redeemed	(576.89)	(200.61)
Outstanding at the end of the year	<u>3,253.53</u>	<u>501.76</u>

4. Related party transactions

Investment transactions include purchases, at market value, of securities issued by the Province of British Columbia and its Crown corporations, some of which are unitholders in the Portfolio. Exhibit C contains amounts of such holdings as at March 31, 1988.

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Victoria, 1988

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